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Paul E. Huck
Vice President and
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LETTER OF COMMENT NO. 3

Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Sir or Madam:

We want to take this opportunity to comment on the current accounting literature previously ratified by the Emerging Issues Task Force regarding Remarketed Variable Rate Demand Notes. Air Products & Chemicals Inc. (APCI) is a major supplier of industrial gases and related equipment, chemicals, and environmental and energy systems with consolidated annual sales over \$8 billion.

APCI has both taxable and tax-exempt remarketed variable rate demand notes (VRDN's) outstanding at present. The bonds typically have a maturity date many years into the future (approximately 35 years in some instances). However, in the current interest rate mode in which interest rates are reset on a daily or weekly basis, the holder of the bond has the right to redeem the bond at any interest reset date. If a holder wishes to redeem the bond, a Company designated remarketing agent will take ownership and remarket the bond to the public. If the agent could not find a buyer for the bond, the agent would have the ability to redeem the bond with APCI. The situation has never arisen where the agent was unable to remarket the bonds.

EITF Topic D-61

EITF Topic No. D-61 *Classification by the Issuer of Redeemable Instruments That Are Subject to Remarketing Agreements* specifically addresses the issue of debt classification similar to the VRDN's issued by APCI. The topic references FASB Statement No. 78, *Classification of Obligations That Are Callable by the Creditor* paragraph 5 which states:

“The current liability classification is also intended to include obligations that, by their terms, are due on demand or will be due on demand within one year (or operating cycle, if longer) from the balance sheet date, even though liquidation may not be expected within that period.” The topic concludes that this would still hold true for a debt agreement that allows the debt holder to redeem the debt even if a best-efforts marketing agreement exists. As such, APCI is required to present the VRDN's as part of current liabilities in the current portion of long-term debt line.

Recognition Based on Probability

We believe that FASB Statement No. 5, *Accounting for Contingencies*, provides a more suitable guideline for determining whether these instruments should be classified as current or long-term. In the case of APCI, we have held these types of notes for over 20 years and have never had an agent unable to remarket the bonds. However, the EITF Topic ignores this history and requires us to carry the entire portfolio in current liabilities when the probability of any of the amounts being paid in the next 12 months is remote at best.

We understand the need for transparency in reporting to the public. But, wouldn't reporting a significant balance of the same debt instruments in current liabilities every year for 25-30 years be confusing to readers of the financial statements? Wouldn't it also be misrepresenting the true commitments of our cash for the next 12 months? We feel that a reader of our financial statements could understand the nature of our remarketing agreements through disclosure in our Debt footnote while the related balance is classified as long-term on the Balance Sheet.

We request that the Board reconsider this previously issued literature and would welcome any further inquiry by the Board to ensure our position is fully understood.

Sincerely,



Paul E. Huck