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CHIEF ACCOUNTING OFFICER AND CORPORATE CONTROLLER

April 28, 2011

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

Email: director@fasb.org

RE: File Reference No. 2011-100

Proposed Accounting Standards Update -

Balance Sheet Offsetting

Dear FASB Member,

We are writing on behalf of Koch Industries, Inc. ("KII") in response to your invitation to comment on the matters included in the FASB Proposed Accounting Standards Update on Balance Sheet Offsetting. KII and its subsidiaries ("Koch companies") are engaged in operations, trading and investments worldwide. Koch companies have a presence in nearly 60 countries and approximately 70,000 employees worldwide.

Our trading businesses have interests in most regions of the world including North America, South America, Europe, Asia, and the Middle East. We engage in trading activities on our own behalf as well as help other companies manage various risks with the use of physical forward, futures, swaps, options and other derivative instruments. The commodities we trade include crude oil, refined products, chemicals, natural gas, metals and other products.

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First and foremost, we agree with and support the need for convergence of the accounting standards on a global basis. Therefore, we agree that the difference in reporting standards over balance sheet offsetting should be addressed. Yet, as the boards develop their conclusions, we encourage you to maintain the overall objective of improving the usefulness of the financial statements for their users.

The boards noted the goal of this project was to provide the financial statement user with a more accurate depiction of future cash flows. We agree that the current accounting standards that address the offsetting of assets and liabilities, especially those standards that govern specific issues, such as netting of derivative assets and liabilities may be misleading to users. However, a full gross presentation as discussed in the proposed update would not necessarily depict an accurate presentation of future cash flows. Gross cash outflows are not necessarily required for settlement of a derivative instrument. In many cases, the net amount would be more reflective of future cash flows as well as better starting point to assess credit risk and liquidity risk.

We feel a better way to achieve your goal of reflecting assets and obligations and the future cash flows associated with such is to take more of a hybrid approach between gross and net reporting on the balance sheet. In order to determine future cash flows, the guidance should outline the unit of account being managed. Within the energy trading industry, we feel that the unit of account would relate to a group of contracts with the same counterparty and the same settlement period. The industry executes over-the-counter-trades that have multiple pricing periods. For example, a pricing period could be a single month. As is typically provided in negotiated ISDA documentation within the energy trading industry, all trades with the same counterparty with the same pricing period, are typically settled on the same date on a net basis. Of course some exceptions may occur but this is a general rule. Defining the unit of account as the settlement period, and allowing net presentation for the derivates within the settlement period expected to be settled net most accurately reflects the future cash flows of the business.

We also recommend the ability to net margin collateral against outstanding derivative and financial assets and liabilities. A gross presentation of collateral would make it harder for a financial statement user to assess the future cash flows of a company, as well as the credit and liquidity risk for that company. As an example, the daily variation margin (change in mark-to-market value) on all open exchange trades is net settled daily with the exchange clearing broker through a margin collateral account. Since cash is settled daily no future cash flow is expected for the derivative such that showing these items gross on the balance sheet would be misleading.

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We welcome the opportunity to sit down and discuss these issues in more detail. We caution the Board that the cost of implementation of this proposed standard update could be significant. If the proposed standard is issued as is or in some close variation, it would require companies to establish controls that perform a thorough review on a contract-by-contract basis (to ascertain whether it should be presented gross or net) and a tracking system to aggregate the individual contracts accordingly.

It is our overall conclusion that net presentation by counterparty by settlement period on the balance sheet is the most logical method. This method of presentation along with continued disclosure of gross derivative amounts and supplemental credit and tenor analysis should provide the users with a proper view of the risks and potential variability in future cash flows.

If you would like to discuss further, I can be contacted directly at 316-828-6486.

Kind regards,

Richard K. Dinkel

Corporate Controller and Chief Accounting Officer

Koch Industries, Inc.