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PHILLIPS PETROLEUM COMPANY
BARTLESVILLE, OKLAHOMA 74004 918 661-6600

CONTROLLERS

June 17, 1999

Director of Research and Technical Activities
Financial Accounting Standards Board

Dear Sir:

Attached is a decision tree chart that my company prepared to help in our assessment of the potential impact of the Exposure Draft, "Consolidated Financial Statements: Purpose and Policy". The chart organizes the thought process and depicts the hierarchy of factors that are important to determining whether or not you "control" another entity under the proposal. We found the chart to be helpful in our understanding of this complex (and often judgmental) standard.

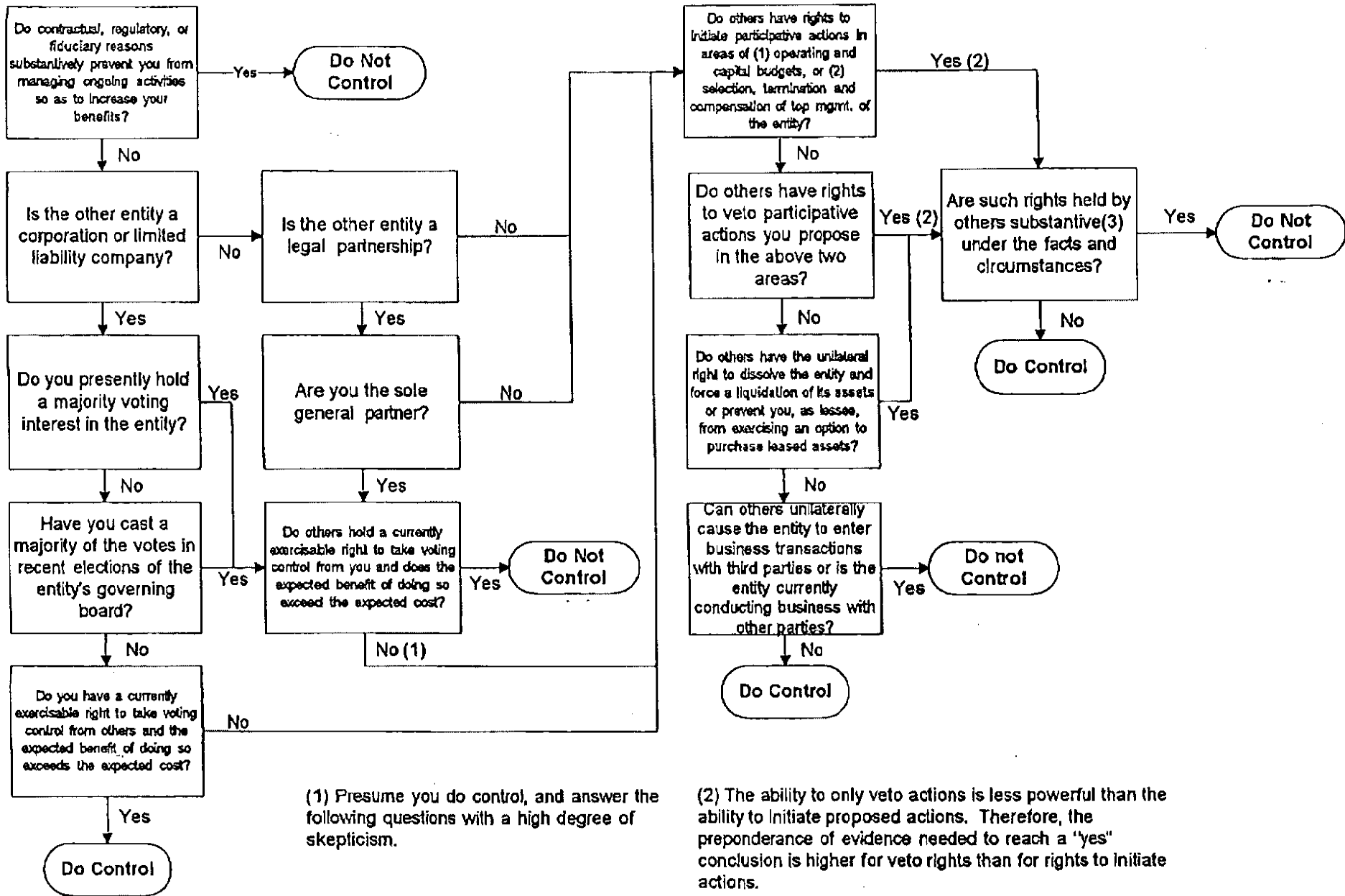
If you have any questions, or see flaws in the depiction of the proposed accounting model, feel free to call me at (918) 661-7460.

Sincerely,

A handwritten signature in cursive script that reads "Doug Divelbiss".

Doug Divelbiss
Manager of Accounting Policy
Phillips Petroleum Company

1999 Consolidation Exposure Draft



(1) Presume you do control, and answer the following questions with a high degree of skepticism.

(2) The ability to only veto actions is less powerful than the ability to initiate proposed actions. Therefore, the preponderance of evidence needed to reach a "yes" conclusion is higher for veto rights than for rights to initiate actions.

(3) "Substantive" is sometimes a difficult judgment in these situations. If so, a previous practice of consolidating an entity is presumed to continue.