January 31, 2011

Technical Director  
Financial Accounting Standards Board (FASB)  
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RE: File Reference No. 1890-100  
FASB Discussion Paper: Effective Dates and Transition Methods

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 Discussion Paper on Effective Dates and Transition Methods. Koch companies are engaged globally in a diverse group of industries including refining and chemicals, process and pollution control equipment and technologies, minerals, fertilizers, commodity trading and services, polymers and fibers, forest and consumer products, and ranching. Koch companies have a presence in nearly 60 countries and about 70,000 employees worldwide. We are both issuers of non-public financial statements and users of financial statements in the ordinary course of business.

Preferred Approach: Single Date or Sequential

We would recommend a single-date approach for all standards finalized in 2011. In doing so, management will be able to operate as one cohesive team in the implementation of those standards. This will reduce the risk of operating in “silos” and minimize the potential error in the dual reporting process.

A sequential approach would only further delay the benefits expected from the adoption of the new standards. However, if a sequential approach was elected, we would recommend that the following standards be combined with a single-date of adoption based upon their commonality: (1) adoption of Financial Instruments and Fair Value Measurements initially, and (2) adoption of Revenue Recognition and Lease standards subsequently. We believe there is flexibility in the timing as it relates to Other Comprehensive Income and Balance SheetOffsetting.
Effective Date

We would recommend an adoption of all the applicable standards for the year ending December 31, 2014. This is the time period necessary to accommodate entities with 3 years of financial reporting requirements. This assumes those standards would be finalized in 2011. The basis for this proposed time frame is to ensure all information regarding significant estimates is readily available. It is expected that each standard will require a level of judgment. It will be easier to assess the facts and circumstances on a real-time basis. In addition, sufficient time to prepare the users of the financial statements for the proposed changes also is necessary. We strongly urge the Board to provide adequate time to accommodate these considerations.

Our recommendation is specific to the projects that are planned to be finalized in 2011 and does not contemplate the finalization of a standard on Financial Statement Presentation. Given the significance in changes required in systems to accommodate such financial statement updates, companies would need at least two years to re-configure their source systems and then three years of dual tracking once the standard is finalized. In addition, for the financial statement presentation changes currently embedded in the existing Exposure Drafts, we would recommend the roll-forward requirements be excluded until final conclusion is reached on the Financial Statement Presentation project itself.

Significant Impact Expected

We expect the most significant changes will result from the proposed lease standard. Some of the more significant impacts include:

- **Capital Consumption.** One key metric that we monitor as an overall company is our capital consumption. This metric is used by external sources and company management. One key factor in this measure is the leasing component. This factor has been defined by the rating agencies (i.e., Moody’s, Standard & Poor’s). However, the proposed standard as it is written today will not be comparable to the definition that has been used by others. It is difficult to know at this point whether the rating agencies will take into consideration the definitions in the proposed standards.

- **EBITDA.** Earnings Before Interest, Tax and Depreciation ("EBITDA") is used as a covenant in existing debt agreements. It is uncertain how the financial institutions will adjust these debt covenants once the proposed standard is in place.

- **Deferred Taxes.** The recording of the leases will also result in significant deferred taxes that are expected to be cumbersome to maintain given the sheer volume of leases throughout the company.

- **Property Taxes.** We note that the proposed leasing standard could also have an impact on the application of lease data to the state apportionment factor and property taxes due.
These expected changes illustrate the need to allow for sufficient time to address such matters in the adoption of the new standards.

In addition to the proposed lease standard, the proposed changes to the financial statement presentation would have a dramatic impact to both preparers and users of the financial statements. As a very large multi-national company, we would need to change 20+ separate source systems to accommodate the proposed changes. Even with those changes, we still have concern about the systems’ capability to accumulate and report this level of data in a timely manner. We urge the Board to further assess the benefits to be gained from these proposed changes.

Transition Method

Based upon the Exposure Drafts issued to date, we generally agree with the proposed transition methods provided assuming that adequate time to implement is provided upon final issuance (i.e., two to three years). An important fact in determining the appropriate transition is the degree of judgment needed in the application of the proposed standard and whether the information will be available to make a reasonable estimate. One example that comes to mind that has not been addressed is the determination of fair value of the lease component and service component within the context of recording a lease liability and right-to-use asset on the date of implementation. The lease agreement may have been executed several years prior to the implementation date and the stand-alone selling price for each may be difficult to estimate given the time lapse. It would be proposed that language to accommodate similar scenarios be incorporated into the transition guidance.

We appreciate your consideration of these matters. We would be happy to discuss further. Please feel free to contact me at 316-828-6486.

Kind regards,

Richard K. Dinkel
Corporate Controller and Chief Accounting Officer
Koch Industries, Inc.