

October 11, 2009

Technical Director
Financial Accounting Standards Board
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File Reference: 1710-100

Koch Industries, Inc. ("KII"), a privately-held company, is pleased to comment on the Proposed Accounting Standards Update, Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements, dated August 28, 2009. KII appreciates the opportunity to provide you with our comments on this proposed update. KII and its subsidiaries ("the Company") are engaged in operations and investments worldwide and in many industry sectors – including petroleum refining and chemical manufacturing, consumer products, building products, fibers and resins, nitrogen-based fertilizers, industrial combustion and pollution control equipment, commodity and financial risk management, and other strategic investments. The Company has operations in over 60 countries and over 70,000 employees worldwide. KII is the second largest privately-held company in the United States and its consolidated revenues of approximately \$110 billion would place it among the top Fortune 15 of publicly traded companies.

The Company prepares financial reports to communicate financial information to management, the board of directors and our shareholders, and to satisfy the financial statement filing requirements of rating agencies, banks, bond holders, regulators, and governmental agencies. The Company also uses financial statements of others in our roles as investor and creditor. Further, two of our businesses, Georgia-Pacific and INVISTA, have outstanding debt securities traded in the over-the-counter (OTC) market. Financial information for these businesses is sent to outside debt holders. For these reasons, the Company is keenly interested in the reporting requirements of both private and public companies and in the needs of a diverse group of financial statement users. As such, the Company proactively seeks to understand the needs of financial statement users and to provide meaningful information in a profitable manner.

The Company utilizes derivative instruments for risk and non-risk management purposes. The Company enters into financial instruments and commodity contracts to manage price risk associated with commodity inventories, energy requirements, and purchase and sale commitments in our refining, transportation, and processing businesses. The Company also provides risk management services to its customers. Therefore, the Company's derivative

positions are predominately commodity-based and include, but are not limited to, fixed physical forwards, commodity swaps, futures and options. The Company also enters into interest rate swap contracts designated in either cash flow or fair value hedges.

The Company does not support the proposed accounting standard update for fair value measurements. We believe the cost, in this case, outweighs any benefit of additional disclosure.

We are concerned with the proposal due to the broad requirement for sensitivity disclosure. Multiple sensitivities can be run for the inputs of each derivative, which will lead to issues in practical application. Running multiple scenarios and changing a multitude of inputs for each scenario for each Level 3 derivative and then understanding the inter-dependency of these changes will be costly.

The proposal only requires disclosure to be prospectively reported. Therefore, the Level 3 roll forward for last year will not be comparable to the roll forward for this year. With other recent changes to fair value disclosures (including FAS 157 and FAS 161) another change will likely cause disclosures to be more confusing rather than helpful to financial statement users.

Included in the proposal is a requirement to disclose information about significant transfers in and out of Levels 1 and 2 and the reasons for the transfers. We do not currently track the transfers in and out of Levels 1 and 2, so this proposal will drastically increase the number of transactions that we have to track, therefore increasing the work required throughout the year. It seems companies are being penalized for having Levels 1 and 2 transactions.

For this annual reporting period, the Company has had to adjust disclosures for Pension (FAS 132(R)-1), fair value of non-recurring items (FAS 157), taxes (FIN 48), and derivatives (FAS 161), to name a few. These disclosures had long lead times which have allowed us to do adequate research and work with auditors on proper disclosure. The effective date for the proposed update for fair value measurements does not allow for appropriate preparation, especially in light of all other changes that are required for this reporting period.

Our views are based on discussions with users of our financial statements and our experiences as a preparer of financial statements and as a user of financial information to make investment and credit decisions.

We also provide the following responses to the issues presented in the proposed Statement:

Issue 1: With respect to the disclosure of the effect of changes in reasonably possible, significant, alternative inputs for Level 3 fair value measurements for each class of assets and liabilities (sometimes also referred to as sensitivity disclosures), the Board is seeking input from financial statement preparers about their operationality and costs.

Response: This disclosure is vague and will lead to issues in practical application. These sensitivity disclosures will be costly and we would recommend that these disclosures be investigated further before finalizing.

Issue 2: With respect to the reconciliation (sometimes referred to as a roll forward) of fair values using significant unobservable inputs (Level 3), the amendments in this proposed Update would require separate disclosure of purchases, sales, issuances, and settlements during the reporting period. Is this proposed requirement operational? If not, why?

Response: The gross up of Level 3 data leads to a comparability issue in year-over-year reporting. Further, requirements for Level 1 and 2 transfers will increase time commitments and costs.

Issue 3: Is the proposed effective date operational? In particular, will entities be able to provide information about the effect of reasonably possible alternative inputs for Level 3 fair value measurements for interim reporting periods ending after March 15, 2010? Are there any reasons why the Board should provide a different effective date for nonpublic entities?

Response: Being a nonpublic entity, the sensitivity disclosures do not apply to us until December 2010, which would allow for adequate lead time; however, we do have concerns regarding the cost/benefit of the alternative input disclosures. The other proposed disclosures, effective for December 2009 reporting, would be a burden to the Company as we would have to understand the new versions of the disclosures and develop the practical application of those disclosures by the end of January 2010 for 2009 results. This will create considerable manual operational steps that would have to be implemented to ensure integrity in the disclosures.

We appreciate the opportunity to comment on this proposed update. If you have any questions regarding our comments or wish to discuss any other matters discussed herein, please contact me at 316-828-6486.

Richard Dinkel

Chief Accounting Officer

Koch Industries, Inc.