



August 14, 2006

Mr. Lawrence W. Smith
Director – Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, Connecticut 06856-5116

Email: commentletters@pcfr.org

File Reference: 1310-100

Dear Mr. Smith:

Koch Industries, Inc. (“KII”), a privately-held company, is pleased to comment on the Joint Proposal by the Financial Accounting Standards Board and American Institute of Certified Public Accountants, dated June 8, 2006, *Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies*. KII and its subsidiaries (“the Company”) are engaged in operations, trading 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 trading, and other strategic investments. The Company has operations in over 60 countries and over 85,000 employees worldwide.

We prepare financial reports that are relied upon by not only our board of directors and shareholders, but we also have reporting requirements to rating agencies, banks, bond holders, regulators, governmental agencies, and in foreign jurisdictions for statutory accounts. Further, two of our businesses have issued debt securities that are traded in the over-the-counter (OTC) market – e.g., Georgia-Pacific and INVISTA, which places us in a unique perspective of being versant in the diverse reporting requirements and needs of public and private companies. As such, we proactively seek to understand the needs of the users of our financial reports and provide meaningful information in a profitable manner. We are also actively engaged in monitoring the activities of the FASB, IASB and AICPA as nearly all projects impact our business at some level and to some degree.

Therefore, we support the efforts of the FASB and AICPA to jointly address the needs of the preparers, auditors and users of private company financial reporting. We conceptually concur with the FASB and AICPA that substantive differences should not exist in

recognition, measurement, or disclosure solely based on whether a company is privately or publicly held. We further appreciate that the users of our financial reports need uniform accounting standards irrespective of whether they are reading a public or private company's annual report.

We do, however, believe that in certain cases, such as FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, where the accounting standards may be potentially damaging, irrelevant, or cost prohibitive, differences should, and in most cases today do, exist. In all cases, we believe that the interests of private companies, from the very small to the very large, could be enhanced by the proposed committee designed to increase constituent input in the standard setting process.

To that end, we support the proposal to (1) improve the process for receiving input from its constituents on the development of accounting standards to ensure the needs of private companies are adequately addressed and (2) co-sponsor and co-fund a new committee designed to increase private company constituent input in the standard setting process.

We are also pleased to provide our responses to the five questions contained in the ITC.

Question 1: Do you believe the proposal contained in paragraphs 16—29 will improve the accounting standard-setting process for private companies?

Response: We agree that the modifications to the FASB's standard-setting process; adding resources to upgrade the talent and skills of the existing FASB staff; and the establishment of a new committee to serve as a resource to the FASB, its staff and working groups for the purpose of making formal recommendations on proposed and existing standards will improve the accounting standard-setting process and usefulness of private company financial statements. We do agree that the committee should be afforded a degree of autonomy as mentioned in paragraph 24 to ensure the interests of private companies are well represented. We recommend that the FASB consider establishing well-defined responsibilities, expectations and authorities of the committee and its members to ensure roles and the degree of autonomy are clear and unambiguous.

Question 2: Specific to paragraphs 16—29 do you believe that the proposed changes will help ensure that reporting needs of constituents of private companies are met?

Response: We believe that the proposed changes are moving in the right direction in achieving the goal of meeting the reporting needs of private company constituents. We also believe that this joint project is addressing a very tough agenda in that the population of private companies is very diverse-- from the very small to the very large. The reporting requirements are diverse and will likely prohibit a universal, or one size fits all, solution.

Question 3: *The FASB and AICPA believe that any differences in generally accepted accounting principles (GAAP) for private companies should be based on financial statement user needs and cost—benefit considerations. Do you agree?*

Response: Yes, we agree that any differences in GAAP recommended for private companies should be supported by user needs and profitability. We believe that properly defining the user base and fair representation of the user base should be part of the responsibilities and expectations of the new committee. We also believe that the selection of the 11 member committee is critical to this end.

Question 4: *The FASB and AICPA believe that members of the committee (except the chair) should not be compensated beyond a reasonable reimbursement of expenses. Do you agree?*

Response: Yes, we agree.

Question 5: *The FASB and the AICPA agree that the committee should set its own agenda and priorities. Do you agree?*

Response: Yes, as mentioned above in response to Question 1, we believe that the committee's role, responsibilities, expectations and authorities should be well-defined. Part of the committee's responsibilities should be to establish its agenda and priorities in order to carry-out its role in the standard-setting process.

In conclusion, we appreciate the effort of the FASB and AICPA in establishing this proposal to improve the standard-setting process for the preparers, users and auditors of private company financial reports. We also recognize the extensive effort by the AICPA in its research of private company financial reporting that has resulted in this joint proposal. As the largest private company we believe we can bring a great deal of perspective to this joint project and look forward to working with the FASB and AICPA to assist in the success of this proposal.

Sincerely,



Richard Dinkel
Chief Accounting Officer
Koch Industries, Inc.