



Creating real value – and real jobs

If nations made New Year's resolutions, job creation would probably be at the top of many lists this year, especially for countries with high unemployment.

Across all of Koch Industries, there are currently more than 50,000 employees in the United States and another 17,000 internationally.

"And that doesn't include the more than 2,000 open positions we're trying to fill," said Dale Gibbens, KII's vice president for human resources.

But those totals are only the beginning.

Harrah Analytics, an independent research company, recently studied the direct economic effects of Koch's U.S.-based jobs.

Using formulas provided by the U.S. Department of Commerce and the Bureau of Economic Analysis, Harrah then calculated the indirect and induced effects of those jobs.

The result was a total of more than 200,000 jobs nationwide.

Do the math

State by state, the multiplier effect of Koch jobs is significant.

In Georgia, for example, four jobs benefit from every Koch company employee. In Texas, the multiplier is 5.6 jobs per Koch company employee.

Texas, which trails only Georgia for the most Koch company jobs of any state, is seeing especially strong growth among Koch business interests.

Flint Hills Resources is completing \$350 million in refinery upgrades at its Corpus Christi complex and recently opened a new fuels terminal (above) near Austin.

A new sulfur prilling unit in Corpus Christi, operated by FHR, enables Koch Sulfur to market product in Asia, Europe and South America.

Koch Pipeline Co. is expanding its South Texas system to move more crude oil and condensate to Corpus Christi.

In 2012, KPL plans to complete a 16-inch pipeline connecting Eagle Ford crude oil producers with Corpus Christi. That project will include the construction of storage tanks, pumps and truck receipt stations.

Texas is also a growth market for INVISTA, which is looking to fill at least 100 open positions at its manufacturing facilities and engineering office.

In October, the governors of Louisiana and Arkansas both celebrated Georgia-Pacific's announcement that it would invest \$500 million in new technology for two mills, one in each state.

Elsewhere, Koch Fertilizer announced four international expansions last year, including projects in Australia, Brazil, Mexico and the U.K.

In all, Koch companies have completed more than \$32 billion in acquisitions and investments since 2003, including \$3 billion just last year.

Fundamentals

Although governments tend to subsidize the kind of short-term job creation that can lead to temporary growth, Koch's focus is on long-term growth and the creation of real jobs.

"Real jobs," notes Charles Koch, KII's chairman and CEO, "are those that create real value by effectively and efficiently producing what people want. Real jobs increase our overall quality of life."

Koch companies have completed more than \$32 billion in acquisitions and investments since 2003, including \$3 billion last year.

It is productivity that determines how those jobs should be rewarded.

"Wages can only rise when productivity rises," Koch says.

"Governments (and voters) need to realize that anything that decreases or impedes productivity – such as subsidies and mandates – will only hurt employment in general and cost the economy jobs in the long run."

www.kochind.com/newsroom/jobs

Postal Pipeline

Why would Koch want to participate in the U.S. ethanol market? From all that I read, ethanol in the U.S. cannot be produced economically versus gasoline and only is used because of government subsidy. This seems inconsistent with “growth through the economic means.”

Paul Snyder
Senior systems analyst - INVISTA
Chattanooga, Tenn.



FHR's ethanol plant in Shell Rock, Iowa.

Many Koch company employees have asked the same question following Flint Hills Resources' recent purchase of ethanol plants in Iowa. For an in-depth analysis of that decision, see the story “Why buy ethanol?” on page 9.



About 60 FHR volunteers, including Lynn Kram and Ambrey Gartner, helped clean up a section of the Mississippi River Bluffs near Pine Bend Refinery in October. This annual project is in its 11th year.

I grew up in Oklahoma and received an AgEcon degree from OSU in 1992. I have known about Koch my entire life. But I've never actively researched you.

In 2001, my husband and I moved to Western Australia to start our own beef cattle feedlot about two hours inland from Perth. We invested our life savings and built up our business to two-thirds of its planned and approved design.

Then the state's Department of Environment and Conservation shut us down when we actively campaigned against Australia's so-called Carbon Pollution Reduction Scheme.

We knew that this horrendous new tax would cause severe difficulties for our business. We are now engaged in a battle of epic proportions as we try to bring this out-of-control government bureaucracy into line.

I hear that Al Gore promoted a demeaning website about Koch Industries because of its public stand on the same issue. I have not visited that website, but I went straight to yours.

I applaud your commitment to free market enterprise, and I commend Charles G. Koch's “Evaluating a president” article in October's *Discovery*.

Your website is informative, exciting and honest. It was an absolute pleasure and a breath of fresh air to “tour” your business and your minds. I will be sharing your website and Perspectives articles prolifically.

All the best for your continued success.

Janet H. Thompson
Narrogin Beef Producers
Narrogin, Western Australia

In 2006, Coen Co. (part of Koch Chemical Technology Group) sold a burner system to Rentech Boiler Systems of Abilene, Texas.

Rentech then sold that system to Dr. Robert McNeil, who installed the equipment as part of his restoration of the steam-sail yacht *Cangarda*, built in

Wilmington, Del., in 1901.

The *Cangarda* was re-launched in California in 2007 and later sailed through the Panama Canal. It is now based in New England.

The historic restoration of the *Cangarda* is of particular importance to Coen and its staff, as we feel this brings us back to our roots. Coen was established in 1912 with most of our early burner installations aboard seagoing ships.

Being a member of one of the Koch family of companies, we hope this picture finds its way into the picture portrait for Mr. Koch.

Matthew N. Hall
Applications engineer - Coen Co.,
Woodland, Calif.



This photo of the *Cangarda* was one of 11,088 images used to create Charles Koch's 75th birthday portrait. For more about that portrait, see page 11.

Letters and other submissions become the property of Koch Industries, Inc., and may be reproduced in whole or in part, including your name, for any purpose and in any manner. Letters may be edited for length or clarity.

Discovery January 2011 | Volume 17 | Number 1

Editorial Board

Philip Ellender
Rich Fink
Jeff Gentry
Dale Gibbens
Mary Beth Jarvis
Charles Koch
Jim Mahoney
Dave Robertson

www.kochind.com

Questions? Comments?

Contact: Rod Learned
316.828.6136
rod.learned@kochps.com

Publication Design:

Deanna Crockett
Koch Creative Group

©2011, Koch Industries, Inc. Koch is an EOE/M/F/D/V



Versailles - Implementing wastewater purification plans fit for a king.



Rotterdam - KS&T's refinery celebrates processing its 250 millionth barrel.



Berazategui - INVISTA employees help commemorate 50 years of independence.

France – When King Louis XIV began transforming Versailles from a hunting lodge into a palace, the area had perhaps 1,000 residents and little infrastructure.

Today, the community of Versailles is home to almost 90,000 residents and its famous palace and gardens attract an estimated 7 million visitors per year.

Among the utilities that serve this thriving Paris suburb is a large wastewater treatment plant at Carré de Reunion, next to the famous gardens at the Palace of Versailles.

This large plant processes an average of 43,500 cubic meters (close to 11.5 million gallons) of wastewater per day.

Because of rising demand for water and stricter effluent quality requirements imposed by the European Community, the plant is in need of improvements.

In September, the Veolia Group of OTV France SNC chose Koch Membrane Systems to provide PURON® membrane bioreactor modules for upgrading the Versailles facility.

Most conventional wastewater treatment plants use a three-step process. First, coarse solids are screened out of the water. The remaining solids are then treated with bacteria before the water is further purified in a third step.

By using PURON technology, the last two steps can be combined into one. The membranes provide a more effective barrier against bacteria and are better at removing suspended solids.

This technology will also help expand the capacity of the existing plant.

The PURON modules are scheduled for

delivery at the end of 2012 and start-up of the plant is expected in 2013.

When completed, this project will be Koch Membrane Systems' largest membrane bioreactor installation in Europe. PURON membranes have become quite popular in France, where KMS has had 13 orders and start-ups in the last 12 months, including several large-scale municipal projects.

The Netherlands – Employees at Koch Supply & Trading's Rotterdam refinery had lots to celebrate in December.

On Dec. 2, the refinery reached an operational milestone by processing its 250 millionth barrel of crude oil and condensate.

Four days later, it achieved its highest-ever single day throughput: 83,621 barrels.

December was also the best month for throughput in the plant's history. It processed an average of 78,800 barrels per day. The previous record was 78,649.

Thanks to that record-setting month, 2010 ended up being a profitable and record year for total throughput, beating the previous annual total by almost 150,000 barrels.

"Relative to FHR's U.S. refineries, we are a small facility," noted Louis du Rieu, site manager. "Given our size, processing a quarter of a billion barrels is significant and something we achieved sooner as a result of the team's effort to achieve high run rates when the market conditions favored that."

The facility also celebrated a safety milestone in 2010. In August, Koch employees and contractors working at the site

completed their fifth consecutive year without a lost-time injury.

Argentina – A golden anniversary is always something to celebrate, especially if it involves parades, sporting events and a visit from the president.

The city of Berazategui enjoyed all of that and more on Nov. 4 as its citizens celebrated the fiftieth anniversary of their independence and the founding of their city as a part of Buenos Aires province.

Known for its ranching and meat packing industries, Berazategui is also home to an INVISTA plant. That facility, built in 1963, produces nylon 6,6 polymer.

On Nov. 4, Nestor Samman, site manager, Diego Almada, site controller and Fabiana Iasenza, human resources manager, presented the mayor, Juan Jose Mussi, with a congratulatory plaque on behalf of all INVISTA employees.

"We think it's important to participate in these activities," said Samman, "because they strengthen our community relations. And besides, we are citizens, too!"

Many INVISTA employees from Berazategui were in the crowd of 10,000 people watching a parade that was attended by Dr. Cristina Fernandez de Kirchner, the president of Argentina.

INVISTA also sponsored the 24th annual Berazategui Bicycle Race, one of the region's most important sporting events.

Winners crossed the finish line under an INVISTA banner and employees from the Berazategui plant presented LYCRA® fiber shirts to the race winners in the Elite and Under-23 categories.

New compliance vision

Last year, the corporate compliance team rolled out an updated version of the KII Compliance and Ethics Vision.

“For years we’ve had an absolute commitment to 10,000 percent compliance,” said Tom Butz, director of corporate compliance and environmental health and safety for Koch Industries.

“That vision – of having 100 percent of our people doing the right thing 100 percent of the time – has been an important contributor to our success.”

So why update the vision?

“Because our old vision, with its focus on existing laws and regulations, was not enough to get us to the level of performance we want to achieve. We’ve got to think beyond that.

“Compliance, while essential, is no longer enough. We need to go beyond compliance to achieve compliance excellence, and that requires a new way of thinking.”

Defining excellence

Butz uses the example of injury reporting to help explain the difference between compliance and compliance excellence.

“If you are timely and accurate in reporting and tracking every workplace injury, you’re probably in full compliance with the law, but you may still be suffering injuries.

“What we want to do is not only accurately report injuries – which is what the law requires – but eliminate them.

“To do that, we’ve got to continue to think beyond existing rules and laws. It’s not enough to just follow the law. What we want is an absolute commitment to compliance excellence.”

Moving target

Butz believes that more complicated and ever-changing regulations are some of the greatest challenges we face in today’s business environment.

Flint Hills Resources experienced this in Texas last year when the EPA declared the state emissions permits that the Corpus Christi refinery had been abiding by were no longer sufficient.

“It’s always difficult for a business to find that the rules have changed in the middle of the game. But the reality these days is that we see that sort of thing happening more and more often.



With more than 100 STAR sites in OSHA’s Voluntary Protection Program, Koch companies rank third in the U.S. (behind GE and the U.S. Postal Service).

“Something that is perfectly acceptable today can become open to challenge or question tomorrow.”

Butz believes that compliance excellence is yet another example of Koch’s commitment to continuous improvement.

“We agree with W. Edwards Deming that the need for continuous improvement is unending,” notes Butz. As Deming put it: “You never get out of this hospital.”

Purpose of compliance

According to the KII Compliance and Ethics Vision, the purpose of compliance is to enhance long-term business success as well as to benefit society.

“Ultimately, our goal is to ensure compliance and strive to manage those risks, if any,

KII COMPLIANCE & ETHICS VISION

Ensure excellence in all areas of compliance, ethics and EHS in order to enhance long-term business success and benefit society.



Georgia-Pacific’s summer safety campaign and other safety initiatives helped reduce lost-time injuries significantly. Overall, Georgia-Pacific had 55 fewer LTIs in 2010.

that may not be adequately addressed by existing laws and regulations.

“We also want to eliminate risks that could cause serious harm to people or the environment, or threaten the survival of the business,” said Butz.

“Both of those outcomes – compliance and risk management – are extremely important. We want to absolutely protect and benefit our communities and employees, as well as preserve and enhance long-term company success.”

“It doesn’t matter which Koch company you work for. We all need to share in KII’s vision for compliance and act in accordance with our MBM® Guiding Principles.”

Beyond compliance

Compliance excellence requires that employees not only know the compliance requirements for their roles, but be able to identify and manage compliance risks.

“We want to move ahead by striving to identify and manage risks that aren’t effectively addressed through existing laws and regulations.

“That’s why we’re going to be working even harder to ensure absolute excellence in all areas of compliance.

“Compliance excellence is a clear way to enhance our success and benefit everyone.”



Koch ranches in Montana and Texas won three environmental awards last year.

2010

YEAR IN REVIEW

11 Georgia-Pacific announces plans to purchase Grant Forest Products assets in the U.S. and Canada.

12 A 7.0 earthquake devastates Haiti's capital; relief supplies donated by GP arrive the following week.



JANUARY

11

FEBRUARY

17

6

JULY



6 Koch Knight celebrates its 100th anniversary.

14 Koch Nitrogen announces plans for a new control center at its Enid, Okla., plant.

30 Georgia-Pacific acquires pulp mill assets in Perdue Hill, Ala.



17 FHR announces plans to acquire two Iowa ethanol plants in Menlo and Shell Rock.

2 Tom Carey, Koch Industries' chief financial officer from 1961 to 1988, dies at age 81.

5 Crude oil trades at its lowest price of the year: \$69.59 per barrel.

10 Georgia-Pacific announces the donation of 682 acres of land outside its Wauna, Ore., mill to the Nature Conservancy.

24 INVISTA enters an agreement making Lowe's the exclusive home improvement retailer for STAINMASTER® carpet.



24

AUGUST



MARCH



31

SEPTEMBER



23

7 Koch Sulfur Products begins global marketing of prilled sulfur from its new Corpus Christi facility.

23 Founder's Day is celebrated at Koch company sites around the world, including Atlanta (*above*).

28 Koch Pipeline announces another expansion of its South Texas crude oil-carrying capacity.

1 Koch Energy Europe begins trading natural gas, power and emissions.

21 The U.S. House passes the Senate version of a highly controversial Health Care Bill, 219-212.

31 Georgia-Pacific announces plans for a \$500 million investment in "third generation" papermaking technology.

- 14** Airborne ash from the eruption of Eyjafjallajökull volcano in Iceland shuts down many of Europe's busiest airports for five days.
- 20** BP's Deepwater Horizon oil rig topples and explodes in the Gulf of Mexico, killing 11 and creating the largest oil spill in U.S. history.
- 26** KCTG completes its sale of Canada-based IRIS Power to Qualitrol.
- 26** Koch Membrane is named the Water Technology Company of the Year at a conference in Paris.



APRIL

26

OCTOBER

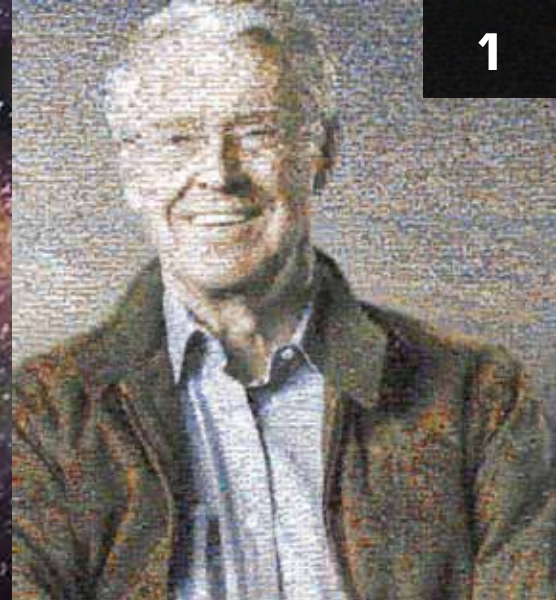
14



- 8** U.S. 30-year mortgage interest rate averages hit a record low: 4.27%.
- 10** Venezuela announces it has expropriated Koch Minerals' Fertinitro assets.
- 14** Matador Ranch is awarded two of Texas' highest environmental stewardship honors.
- 20** INVISTA announces plans to double the capacity of its Shanghai plant, Asia's largest airbag fiber facility.

MAY

1



- 1** Charles G. Koch celebrates his 75th birthday.
- 3** QE2 – The Federal Reserve pushes an additional \$600 billion into the U.S. financial system.
- 9** INVISTA announces a new operations goal of reducing energy intensity by 20 percent by the year 2020.
- 10** FHR's Mustang Ridge terminal opens.
- 12** U.S. natural gas inventories peak at an all-time high of 3.843 trillion cubic feet.

- 1** Chase Koch marries Annie Breitenbach.
- 3** David H. Koch's 70th birthday.
- 3** INVISTA Performance Surfaces & Materials announces \$14 million in R&D investments.
- 6** Parliamentary elections in the U.K. end Labour's 13-year rule and usher in the first coalition government since World War II.
- 14** The EU announces plans for a trillion-dollar bailout of Europe's troubled economies.
- 20** Crude oil trades at \$64.24 bbl, its lowest price for the year.
- 26** Georgia-Pacific acquires OSB facilities of Grant Forest Products.



1

NOVEMBER



JUNE



2

- 2** KS&T's Rotterdam refinery processes its 250 millionth barrel of crude.
- 7** Salvation Army Angel Tree campaigns in Atlanta and Wichita serve a total of 1,556 needy family members.
- 12** FHR's Peru, Ill., chemical plant celebrates 900 consecutive days without a recordable incident.
- 16** Koch Pipeline Co. receives shareholder approval to build a 16-inch pipeline in Texas for transporting Eagle Ford Shale crude oil.
- 23** FHR's Corpus Christi facility reaches a safety milestone: 10 years (3,652 days) without a lost-time injury.
- 31** Koch Pipeline Co. finishes the year with zero lost-time injuries or recordable incidents.

- 2-6** 10th annual Flint Hills Resources International Children's Festival for the Performing Arts in St. Paul, Minn.
- 7** The euro trades at a four-year low vs. the U.S. dollar: \$1.1876.



7

DECEMBER

Why buy ethanol?

The Energy Tax Act creates an ethanol subsidy of 40 cents per gallon.

1978

Congress enacts various tax benefits for ethanol producers and blenders.

1980-84

The Tax Reform Act increases the ethanol subsidy to a record-high 60 cents per gallon.

1984

Last August, Flint Hills Resources announced its plans to purchase two ethanol plants in Iowa. That transaction was completed less than a month later.

Then, early this month, FHR announced plans to buy two more ethanol plants, also in Iowa. That transaction is expected to close this quarter.

All of this investment in ethanol facilities has left some employees scratching their heads and wondering: what is going on?

After all, ethanol production is heavily subsidized, mandated and protected by tariffs, while Koch companies openly oppose such government programs.

So, why buy Iowa ethanol plants?

Reality check

Prior to these acquisitions, FHR and KS&T were already significantly involved in the ethanol business.

In fact, Koch's ethanol trading business currently purchases and markets about one-tenth of all the ethanol produced in the United States.

What's more, FHR believes the capabilities necessary to be successful in the ethanol industry are very similar to the proven operations and commercial skills it has developed in its fuels business.

FHR has made a point of focusing on advantaged ethanol plants in the Midwest where corn production is significant.

FHR's recent acquisitions fit well geographically with several other FHR assets, including fuel and asphalt terminals, a widespread distribution network that includes Iowa, and the Pine Bend refinery, where ethanol is blended with gasoline before delivery to customers.

So to say that FHR is a newcomer to ethanol would be inaccurate.

In reality, the issue for many employees is probably more philosophical.

They know Koch Industries is a steadfast supporter of market-based business policies and economic freedom, and always has been.

Mandates, subsidies, protective tariffs and over-regulation are neither market-



Built in 2008, this second-generation ethanol plant in Menlo, Iowa, is one of two purchased by FHR in September.

based nor helpful to society in general; however, they are – especially in the case of ethanol – the law.

There are stringent federal requirements that call for blending biofuels such as ethanol into U.S. transportation fuels.

The federal Renewable Fuels Standard will require blending 15 billion gallons of biofuels by next year.

Ten years later, the annual requirement will jump to 36 billion gallons. That's a 200 percent increase over 2009 levels.

Some states are even more aggressive and have approved significantly higher ethanol mandates.

For example, in 2005, Minnesota's legislature upped that state's ethanol requirement to 20 percent or the highest blend (currently 10 percent) allowed by the U.S. Environmental Protection Agency.

Generally speaking, refiners are responsible for blending.

And the amount of ethanol FHR and other refiners need to buy or produce to meet state and federal requirements continues to increase.



Coming to conclusions

Brad Razook, president of Flint Hills Resources, has answered plenty of questions from employees ever since the September purchase of the Iowa ethanol plants.

His answers to those questions are usually simple and straightforward.

“Because of government mandates, we believe ethanol will be part of the transportation fuels market for years to come. We also want to remain competitive,” said Razook. “It's really as simple as that.”

“We are always going to oppose government policies we believe are inconsistent with liberty and economic freedom.”

ETHANOL FACTS

- Ethanol was used as engine fuel as early as 1826.
- Iowa is the largest producer of ethanol in the U.S.
- A bushel of corn yields about 2.8 gallons of ethanol.
- A gallon of E100 ethanol yields 81,800 BTUs of energy. A gallon of gasoline yields 114,000 BTUs.
- FHR's ethanol plants each produce about 110 million gallons per year.
- Each plant processes an average of 107,632 bushels of corn per day.
- Each plant employs about 50 people.

Timeline and facts sources: FHR, U.S. Energy Information Administration, U.S. EPA

The EPA requires the year-round use of reformulated gasoline (typically made with ethanol) in smoggy metro areas.

1995

The ethanol subsidy is reset at 51 cents per gallon.

2005

The Energy Policy Act requires that U.S. gasoline contain a minimum volume of renewable fuel, primarily ethanol made from corn.

2005

The Energy Independence and Security Act requires the use of 36 billion gallons of renewable fuels by 2022.

2007

But we are also going to abide by the law, and ethanol is required by law.”

Razook is especially concerned about how government requirements for renewable fuels and potential low carbon fuel standards could affect the employees at FHR.

“Once a law is enacted, we are not going to place our company and our employees at a competitive disadvantage by not participating in programs that are available to our competitors.

“This is why our team made such an effort to identify and acquire state-of-the-art, competitively advantaged ethanol plants.”

Razook says the real goal of FHR’s ethanol business is to build upon the solid position that these plants have already achieved and improve their profitability so that they can compete in any market environment, subsidized or not.

“We are excited by the large number of value-added opportunities and innovations that we see are possible,” Razook said, “and we really look forward to seeing what we can do with these assets.”

Vision

Razook also reminds employees about the recent updating of FHR’s vision, which now includes a significant emphasis on renewable fuels and their value chains.

“Regardless of how they come about, new or emerging markets, such as renewable fuels, are an opportunity for us to create value within the rules the government sets.

“Based on what we believe the rules will be, our new vision drives us to innovate and create step-out opportunities based on existing technologies and products.”

For example, in addition to traditional corn-based ethanol production, FHR has also invested in a seed genetics company, SG Biofuels.

This California company, based in San Diego, is a leader in the development of economically viable biofuel production from jatropha seeds.

“The government requires renewable fuels to be blended with transportation fuels. Our focus on the renewables value chain will position us for the future.”

Brad Razook
President, FHR

Jatropha is an inedible plant that can thrive in marginal soils and produces seeds with a very high oil content. It is capable of yielding four times as much biofuel per acre as corn.



Jatropha seeds.

“In spite of becoming more involved in subsidized and mandated products,” Razook concluded, “we continue to oppose any government interventions that waste resources and undermine productivity.

“This is just as true when interventions help us as when they hurt us.”

Good neighbor

Something happened last October that has lots of folks in Iowa talking about FHR.

On Oct. 14, a 59-year-old corn farmer from Anita, Iowa, was killed in a combine fire.

Earlier in the year, that farmer contracted to deliver 100,000 bushels of corn to the ethanol plant in Menlo, one of the two plants FHR acquired in September.

Four days after his tragic death, 400 people showed up at his farm with 14 combines, more than 40 semi-trucks and other equipment to help harvest his corn crop.

They were intent on helping the farmer’s family live up to his commitment.

After the trucks were loaded with corn, they headed to the FHR plant in Menlo, where they were surprised to receive special treatment.

FHR employees ushered volunteer drivers to the head of the line and several plant employees stayed after hours to help unload and complete the job.

By six o’clock that night, all 100,000 bushels of contracted corn had been delivered and some strong relationships in Iowa had been cemented.

“We knew these were great employees before we bought the plant,” said Razook. “What they did that day really underscored our MBM® Guiding Principles, especially principle nine, respect.”



Noteworthy

The United States Constitution – A Graphic Adaptation – by Hennessy and McConnell.

The U.S. Constitution, formally adopted in 1787, is the oldest written constitution still used by any nation.

When it was written, the Constitution broke new ground by affirming that the source of power comes from the governed, not the government.

There is no shortage of books about the Constitution. The U.S. Library of Congress lists thousands of titles on the subject.

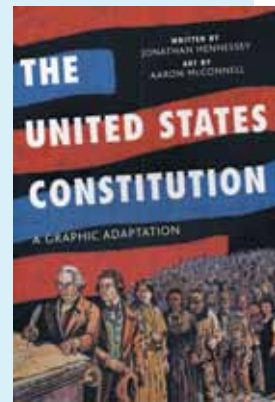
What makes this book different from most of those titles is its format. It is a graphic novel that not only explains essential concepts in words but in images.

Despite what some might consider a less-than-serious format, the book provides solid insight regarding the development of the Constitution and its 27 amendments.

It also answers some intriguing questions that few have thought to ask.

How many times have people tried to amend the Constitution? (More than 10,000.) Are filibusters mentioned in the Constitution? (No.) If the president-elect dies before inauguration, who becomes president? (The vice president-elect.)

As an engaging introduction to America’s most essential document, this graphic adaptation does a commendable job.



Too True

“It is of great importance in a republic... to guard the society against the oppression of its rulers.”

- Federalist No. 51



Egypt



Peru



Singapore



Jordan

Picture perfect

Last August, Koch Industries' president and COO, Dave Robertson, sent a confidential e-mail to thousands of Koch company employees around the world.

"In this case," explained Robertson, "confidential meant everyone but Charles Koch."

The e-mail shared plans for a unique birthday present honoring Charles Koch's 75th birthday in November.

"We want to surprise him," Robertson wrote, "by creating a photomosaic portrait... created from thousands of pictures supplied by Koch company employees."

Those pictures could be of anything, as long as they were work-related.

The photos that immediately began pouring in were both amazing and amusing.

For Mr. Koch

Employee photos were forwarded from dozens of countries, including Spain, Canada, Korea, Australia, Brazil, China and Italy.

Some of the photos included large groups of employees gathered at a Koch facility. Others were as simple as a self-portrait taken with a mobile phone.

A Koch Supply & Trading employee shared a photo taken atop a camel during a business trip to Egypt.

A Georgia-Pacific employee submitted a picture taken at Machu Picchu, Peru. In it,

he held up a packet of GP paper towels featuring Thirst Pockets technology.

David Koch made it a point to send in two photos taken with his older brother last summer in San Francisco.



This photomosaic was created from 11,088 quarter-inch-square images.

Award-winning photographer Sue Marxer sent in several photos taken at the Beaverhead Ranch in Montana.

In addition to these, dozens of pictures from Koch family albums and the corporate archives were considered.

Applying the Brake

To ensure 10,000 percent compliance, Brooke Peoples of Koch Companies Pub-

lic Sector tracked down release forms for every image with more than one person.

After weeks of preparation, Daniel Brake of Koch Creative Group had the unenviable task of arranging the photos for the final product.

To make certain his computer-assisted process would work, Brake created a prototype using dozens of personal photos. The success of that trial run led to high hopes for the finished product.

Although a sophisticated computer program did much of the sorting, many hours of cropping and rendering time were required to assemble the images.

There were plenty of individual touches, too, including the rearrangement of individual photos for better effect.

For instance, the twinkle in Charles' eye was created using a picture of his wife, Liz, taken last spring at the marriage of their son, Chase.

Tent meeting

On Nov. 1, Charles Koch's 75th birthday, more than 2,000 Wichita-based Koch company employees gathered in a giant tent erected on the parking lot across from INVISTA's headquarters.

The program that morning included comments from Rich Fink, CEO of KCPS, and a video produced by Koch scholars at the Charles G. Koch Foundation.



Employees get a close-up look at the portrait on display in Wichita.

The biggest surprise was a visit from Steve Bridges, famous for his impersonations of George W. Bush on the Leno and Letterman TV shows. (To view his Koch performance, employees can visit the home page of D-Net.)

When it came time for Robertson to unveil the birthday portrait, he spoke for thousands of Koch company employees when he said: "Charles, we hope you enjoy this portrait.

"And I hope you understand how hard it is to come up with a birthday present for a man who could buy just about anything."

There were lots of questions prior to the November elections in the United States. Were politicians getting the message? Did they agree with most Americans that spending was out of control? Was it too late to save the nation from bankruptcy?



As the votes were tallied, the answer became apparent. There was a dramatic change in the political landscape at the federal as well as the state level.

Those election results have prompted plenty of new questions, including the most important of all: what will these elected officials do now?

Are they ready to address the significant problems

facing our economy because of government mismanagement?

Essential issue

It's fairly easy to talk about what our politicians *should* do, but it's much harder to predict what they *will* do.

What they should do is stop bankrupting the country by overspending and over-regulating. These are both heavy burdens we can no longer bear.

The issue of runaway spending – which many analysts agree was the major concern of most voters last November – has long been a bipartisan problem.

Both Democrat and Republican majorities have looked the other way when hard decisions needed to be made. Consequently, we have an epidemic of budget deficits.

The federal government already has over a trillion-dollar annual deficit and, by some estimates, more than \$100 trillion in unfunded liabilities. State budget deficits routinely total in the billions.

Clearly, the essential first step must be to cut government spending. By that I mean absolute spending, not just the rate of spending increases, must be cut.

Too often politicians have relied on reducing the rate of spending increases and called it a cut. In reality, the only thing

that should qualify as a cut is when actual spending is reduced.

To help accomplish this essential goal, Congress must refuse any further bailouts – including those requested by states, pension funds or corporations.

Congress would also improve our nation's economic health if it scaled back the enormous regulatory burdens that it continues to pile on businesses of every size.

Even though regulatory overreach has already had negative consequences, government agencies are pushing for even more dramatic controls and burdens.

Favoritism

Many companies – in fact, even entire industries – have petitioned Congress for special treatment and advantages in the form of subsidies, mandates for their products or punitive tariffs on their competitors.

Rather than competing by serving the needs of customers more efficiently and effectively, too many businesses seek to lock in advantages through government favors.

This amounts to little more than corporate welfare that undermines the long-term prosperity of the country and wastes valuable resources.

Governments should not choose winners and losers. The market is much more fair and efficient at sorting through those issues, with the winners being those who more effectively satisfy customers.

Rather than forcing products or programs upon us, federal policymakers, in particular, should promote economic freedom by letting consumers decide.

Consumers “vote” every day by buying the products and services they want. By overriding those choices, governments create inefficiency and mal-investments.

State of affairs

State governments must also change their business-as-usual approach.

Most states are required to have a balanced budget. Unfortunately, they have deployed an extensive bag of tricks for avoiding that fiscal responsibility.

When it comes to creating budgets, they

continually overestimate revenues and underestimate expenses. This is wishful thinking on a frightening scale.

Most states are also guilty of raiding non-general funds, over-issuing bonds, delaying expenditures and underfunding pensions rather than eliminating non-core spending as the best defense against fiscal crisis.

Uncertainty

One of Koch Industries' advantages as a private company is the ability to think and act with a long-term perspective. We need elected officials to do the same.

The recent vote on the so-called Bush tax cuts was a glaring example of short-term thinking. Instead of taking a hard look at tax rates or the need to simplify and clarify the tax code, Congress approved a “temporary” two-year plan.

Two years may seem like a long time to a politician, but it is not nearly long enough to give the private sector – the real engine of economic growth – confidence for long-term investment.

When the rules are continually changing, businesses of all sizes find it difficult to predict costs and thereby justify the hiring of new workers or making extensive capital investments.

More than 220 years ago, James Madison (who later became our fourth president) warned about the consequences of such fickle government policies.

“Great injury results from an unstable government,” wrote Madison in the *Federalist Papers* 62. With an “inconstant government, no great improvement or laudable enterprise can go forward.”

If our elected officials do not deal with our economic problems promptly and properly, we will face even more serious problems in the very near future.

The 2010 elections were all about putting a stop to government overspending.

However, voters must not become complacent. We must continually and effectively communicate with our elected officials, letting them know we will stand by them when they cut spending. But if they don't, we won't.