

## The divisions of Koch Industries

### Petroleum and chemicals

- *Flint Hills Resources*
- *Koch Supply & Trading*

### Ranching

- *Matador Cattle Co.*  
Spring Creek Ranch, Kansas  
Beaverhead Ranch, Montana  
Matador Ranch, Texas

### Chemical technology

- *Koch Chemical Technology Group*  
Koch-Glitsch  
Koch Specialty Plant Services  
Koch Modular Process Systems  
John Zink Co.

### Pipelines

- *Koch Pipeline Co.*

### Commodities trading

- *Koch Supply & Trading*

### Minerals and fertilizer

- *Koch Mineral Services*  
Koch Carbon  
Koch Exploration  
Koch Nitrogen

### Capital market investments

- *Oasis Capital Markets*

### Asphalt

- *Flint Hills Resources*

### Fibers, intermediates and polymers

- *INVISTA*

### Financial services

- *Koch Financial Corporation*

### Pulp and paper

- *Georgia-Pacific (planned)*
- *Koch Cellulose*

### Business development

- *Koch Genesis Company*

# Koch's buy lets Wichita sparkle

■ Wichita officials say the company's high-profile purchase of Georgia-Pacific will win the city valuable time in the limelight.

**BY PHYLLIS JACOBS GRIEKSPoor**  
The Wichita Eagle

If Koch Industries' acquisition of Georgia-Pacific goes through as expected, Wichita will be home to the nation's largest privately held company by the end of the year.

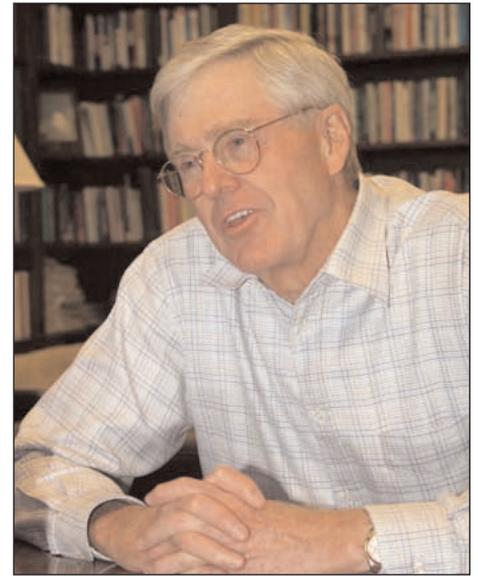
And that's quite a star on the city's resume, said Wichita Metro Chamber of Commerce President Bryan Derreberry.

"Any time a company makes an acquisition of this size, people sit up and take notice around the world," he said. "It puts Koch in the spotlight, and being home to Koch puts Wichita in the spotlight."

Koch announced a \$21 billion deal to buy Georgia-Pacific last Sunday. When the acquisition is complete, it will propel Koch significantly ahead of Cargill, the longtime leader of Forbes Magazine's list of biggest privately held companies.

Cargill also has a significant presence in Wichita. Cargill Meat Solutions, which employs almost 1,000 people, is based in Wichita. In addition, Cargill has flour-milling, soybean-crushing and grain-handling facilities in the Wichita area.

"Cargill has been in buying mode as well and has closed some deals on food operations around the world," said Steve Kichen, assistant managing editor of Forbes and keeper of the list.



**THE MAN BEHIND THE ENTERPRISE**  
Charles Koch has greatly expanded the family business. Who is Charles Koch, page 2.

"But I think it's unlikely that it has anything in the works that will close this size of a gap."

## Wichita still scores

While Wichita will gain bragging rights when the deal closes, new jobs won't be coming to town, Koch officials have said.

Koch will name one of its current senior executives as chief executive of Georgia-Pacific but the headquarters will remain in Atlanta, and the current chief executive, A.D. "Pete" Correll, will stay on as chairman of the board, at least for a period of time.

That makes the deal less significant to Wichita economically than the \$4.2 billion purchase of Invista from DuPont two years ago. The move of Invista headquarters to Wichita resulted in the

addition of more than 200 high-paying, executive-level jobs and increased Koch employment in Wichita above 2,000.

But even without additional jobs, there will be an economic impact, Derreberry said.

“It further strengthens one of our community's leading businesses,” he said. “It sets the stage for even more growth and makes them a more resourceful business. And as businesses become more resourceful, they are better able to add to their role in

the community.”

The presence of Koch headquarters here and Georgia-Pacific headquarters in Atlanta, along with its companies around the world, will likely mean more travel between Wichita and those locations, he said.

That reinforces the need for the city to remain committed to the improvement of lifestyle and business amenities, such as competitive air fares, high-quality schools and thriving arts and cultural institutions, he said.

“When you have companies of the

caliber of Koch and Cargill and Cessna in your community, you need to make sure that you provide the assets they need and the amenities they want,” he said.

Dean Headley, professor of marketing and entrepreneurship at Wichita State University, said being home to the nation's largest privately held company has its own public relations value.

“It has prestige value. It puts us on the map, so to speak,” he said. “And the fact is, being number one means

## NEWS2USE

### Who is CHARLES KOCH

Charles Koch was happy with his consulting job in Boston in the early 1960s. But his father wanted him to return to Wichita to take over the family business.

“Finally, he made me an offer I couldn't refuse,” Koch said in a recent company newsletter. “He said his health was poor and if I didn't come back to run the company he was going to sell it.”

He came back and worked with his father for six years until his father's death in 1967. Then he took over as chairman and chief executive of what would be renamed Koch Industries.

In his tenure, Charles Koch has greatly increased the size of the company, creating a conglomerate of companies with interests in trading, investment and operations worldwide.

His business philosophy of Market Based Management® encourages each employee to “think like an owner.”

He has a bachelor's degree and two master's degrees from the Massachusetts Institute of Technology.

He was born November 1, 1935. He is married to Liz and has two children, Elizabeth and Chase.

– Phyllis Jacobs Griekspoor

### Now you know HISTORY OF KOCH

Fred C. Koch co-founded the Wood River Oil & Refining Company in 1940. In 1961, Charles Koch joined the family business, then called the Rock Island Oil & Refining Company.

When Fred Koch died in 1967, Charles became chairman of the board and chief executive of Rock Island. In 1968, he renamed the company Koch Industries. A year later, Koch added a refinery in Pine Bend, Minn., to its portfolio.

In 1981, Koch acquired a second refinery in Corpus Christi, Texas, and continued to expand its interest in oil and chemical refining, pipelines and trading.

In the late 1990s, the company went through extensive restructuring and laid off hundreds after a slump in the oil industry.

By 2001, the company had returned to growth mode, acquiring interests in polymers, fibers and resins. In 2004, the company acquired \$7 billion in new interests, including an oil refinery in Alaska, a share of the Trans-Alaska Pipeline, pulp mills, fertilizer plants and the interiors and fibers business of DuPont, now called Invista.

– Phyllis Jacobs Griekspoor

### Now you know KOCH IN YOUR WORLD

**A number of products familiar to most consumers come from ingredients produced by Koch Industries or products made by Koch companies. Among them:**

LYCRA® spandex  
STAINMASTER® carpet  
CoolMax® athletic wear  
Motor oil in a variety of brands  
Lawn and agricultural fertilizers in various brands  
Gasoline  
Asphalt  
Adhesives  
Municipal water filtration systems  
Plastic bottles for pop, water and juice  
Disposable diapers  
Coffee filters  
Paper for postage stamps

Koch's name will come up more often. And when Koch's name comes up, Wichita's will, too."

Publicity of that nature is almost invariably favorable, he said.

"Every time you read about it or hear about it, it is a reminder that Wichita is the community where this company grew; that we can sustain corporate headquarters activity. That's a favorable light."

## Koch sees growth

Koch officials have expressed confidence in the ability of Georgia-Pacific -- now a private company -- to grow as it is freed from the demand to please shareholders and is fed by Koch's commitment to reinvest 90 percent of earnings in the business.

Koch has already invested \$100 million in the two pulp mills it purchased from Georgia-Pacific in May 2004 and has plans to invest an additional \$200 million.

Koch sees itself as a "collection of core capabilities" rather than as a company aligned with a specific industry sector or product.

It is organized into three principal business groupings: those related to chemical processing such as oil refining, petrochemicals, fertilizers and chemical technology; those involving fibers and resins, including the Invista businesses; and the trading businesses, including oil and energy commodities, minerals, metals and financials including municipal bonds and financial instruments.

The addition of Georgia-Pacific creates a fourth grouping -- paper and forest products.

Independently run companies in each grouping are aligned to allow them the best opportunity for growth both by expansion of core business and by acquisition. Officials say



Koch Industries' headquarters is located at 4111 East 37th Street North in Wichita, Kan.

Georgia-Pacific will be no different.

"The purchase was made because we see significant opportunity for growth in Georgia-Pacific companies," president and chief operating officer Joe Moeller said.

Koch became convinced that the demands of shareholders and Wall Street were holding Georgia-Pacific back and that private ownership would allow the company to flourish. Analysts agree that the acquisition is positive news for Georgia-Pacific and for the paper and forest products sector as a whole.

In documents filed after the announcement, J.P. Morgan analysts said the purchase "signals that private equity interest in the sector is alive and well, which is particularly good news given the number of paper companies looking to sell assets."

International Paper has more than \$10 billion in assets on the block, for example. Boise Cascade has also expressed interest in selling some assets.

That might give Koch an option to further enlarge Georgia-Pacific through additional acquisitions, J.P. Morgan suggested.

Koch spokeswoman Mary Beth

Jarvis said Koch never rules out additional acquisitions. But she said the company is confident that Georgia-Pacific can grow through expansion of its existing assets as well.

"We can't predict what all forms growth might take," she said. "Koch doesn't come in with specific plans for businesses or assets or dramatically restructuring any Georgia-Pacific companies."

Regardless of how the expansion occurs, it is the promise of growth that is important to Wichita.

"Anytime a local company grows, our business climate improves," said Dave Wood, vice president of economic development with the Greater Wichita Economic Development Coalition.

"That growth shows other major businesses that our community is a good place to be."

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# No. 1

## Deal should be good for Koch, Wichita

**S**unday's startling announcement of the \$21 billion bid by Koch Industries to buy giant Georgia-Pacific Corp. would seem to mean more for Wichita-based Koch than it does for Wichita, because the deal isn't expected to involve the moving of jobs to Wichita.

Still, it's excellent news for Wichita, because it's the latest in a series of signs that the homegrown company has weathered both the local and national economic downturns amazingly well. As other businesses have stumbled and slashed jobs and costs, Koch has been able to use this period to further diversify itself in ways far removed from the oil and petrochemicals business that Fred C. Koch founded and built.

The Georgia-Pacific deal means Koch is about to become second to none among privately held companies, finally passing Minnesota-based Cargill Inc. to become the biggest in the United States.

It means that, counting its \$4.2 billion purchase of DuPont Co.'s Invista fibers business last year, Koch Industries could soon have a global work force of 80,000 and annual revenues of at least \$80 billion.

It means that the 55,000 now work-



Koch Industries could soon have a global work force of 80,000 and annual revenues of at least \$80 Billions.

ing for a name as famous in U.S. business as Atlanta-based Georgia-Pacific -- which makes products with household names such as Brawny, Angel Soft and Dixie -- could soon be working for Koch Forest Products.

It means many more people will have the occasion to learn about Koch and the concepts of "principled entrepreneurship" and "market-based management" with which the company is so identified in Wichita and Kansas. And it will be a high-profile test of whether a troubled public company in a cyclical industry such as wood and paper products can improve its fortunes by going private.

Koch's positive experience in buying what is now Koch Cellulose from Georgia-Pacific last year bodes well for this latest deal, which has been approved by both companies' boards

of directors and would rank as the nation's third-largest merger of 2005.

Meanwhile, this titanic deal also bodes well for Wichita. Especially because of the recent hits that its defining aviation manufacturing sector have taken, Wichita needs Koch and its high-paying jobs and philanthropic generosity. As it brings positive attention to this rapidly growing company throughout the business world, the Georgia-Pacific deal also prom-

ises to enhance Koch's ability to continue to serve the community it calls home.

**- For the editorial board,  
Rhonda Holman**

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