

News Release

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All Charges Against Koch Industries, Koch Petroleum Group, L.P. and Employees Dropped Koch Petroleum Group, L.P. Agrees to Single New Count to Resolve Litigation

Corpus Christi, Texas – The U.S. Department of Justice has dropped all charges against Koch Industries, Koch Petroleum Group, L.P., and four employees for alleged benzene NESHAP violations at a Corpus Christi refinery.

As part of a resolution to the case, Koch Petroleum Group, L.P., which operates the Corpus Christi refinery, agreed to plead to a single new charge: concealment of information over a three month period in early 1995. That information was concealed from the government -- and the company -- by an employee who was not one of the four originally charged. Koch terminated that employee in 1995 after the company discovered that he withheld information from refinery management. The agreement would require that Koch Petroleum Group, L.P. pay a \$10 million fine and pay an additional \$10 million for community service projects in and around Corpus Christi as a condition of probation.

Terms of the agreement also prohibit the four employees from pursuing legal action against the federal government for “vexatious, frivolous or bad faith prosecution.”

Koch Industries, Koch Petroleum Group, L.P. and the four employees were originally named in a 97-count indictment last fall that cited alleged reporting and compliance violations. The Justice Department originally sought hundreds of millions of dollars in fines with each employee facing up to 35 years in prison. As facts surfaced before the trial even began, the counts dropped from 97 to 11 to nine to seven. Today all of the original counts were dropped.

In a good faith effort to resolve the litigation Koch Petroleum Group, L.P. agreed to waive grand jury proceedings and statute of limitations protection which otherwise would have prevented the filing of the one new charge.

The information at issue in the charge was withheld from the government and refinery management by a former Koch Petroleum Group, L.P. environmental engineer in charge of the benzene NESHAP program at the time. The employee filed reports in early 1995 indicating that certain wastewater monitoring tests had been completed. An internal company investigation later discovered that those tests had not been performed and a control devise (flameless thermal oxidizer) had been separated from a source of benzene wastewater (Edens oil Separator). Based on the information from that internal investigation, the company notified the appropriate regulatory agency and the employee was terminated.

Statement from Koch Industries, Inc.

“The dismissal of all charges against Koch Industries validates what we’ve said all along – the government got this one wrong,” said Koch Industries spokesman Jay Rosser. “This brings the case to an appropriate close. This ending should be no surprise to those who know us best – our employees, customers, neighbors and the many regulators who work with us on a daily basis.

“We were and remain willing to cooperate with the government in investigating any wrongdoing, but we would not cooperate with the government in its pursuit of these innocent employees who acted responsibly. From the beginning of this ordeal we have said we would stand by these four employees - they helped find the problem, investigated it and reported it to the proper agencies, which led to the termination of the employee responsible for the problem in the first place.

“We are proud of the thousands of good hard working Koch employees who continue to do their jobs well everyday.”

Statement from Koch Petroleum Group, L.P.

“Bringing this issue to an end is the right thing to do,” said Koch Petroleum Group, L.P. spokesman Philip Ellender. “We accept responsibility for our actions and the terms of this agreement. We have learned from this process and have improved our management systems in the past six years to help prevent something like this from happening again.”

Koch Industries, Inc. through its subsidiaries, employs about 11,000 employees worldwide and is involved in virtually all phases of the oil and gas industry, as well as in chemicals, plastics, energy services, chemical and environmental technology products, asphalt products, metals and mineral services, ranching, financial services, and ventures. For more information on Koch, refer to www.kochind.com on the Internet.

Koch Petroleum Group L.P.'s Corpus Christi, Texas, refining complex produces gasoline, diesel fuel and jet fuel for major markets in Texas and also makes more than 100 commodity and specialty chemicals sold worldwide. The company has nearly 1000 employees in Corpus Christi and in South Texas and has invested more than \$1 billion in its South Texas operations during the past 10 years. Koch Petroleum Group, L.P.'s Corpus Christi refineries earned the Occupational Safety and Health Organization's highest honor and were named Star Facilities. Recently, the EPA praised Koch for a groundbreaking clean-air agreement with the agency in which the company will help set best industry practices and advance emission-control technology while gaining greater operational flexibility.