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PITTSBURGH • ALTOONA, PA • EWING, NJ

Another jam-packed issue: the SPIN on FIN, a bittersweet farewell to dear friends, § a new feature, Out of Left Field, which has nothing to do with anything. Enjoy!

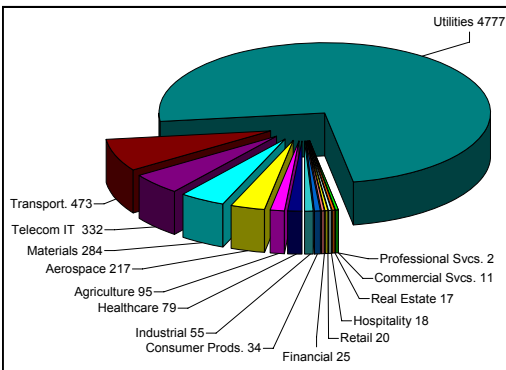
FIN 47: Spurring Brownfields Transactions?

Brownfields redevelopment rarely moves fast enough for stakeholders, so when FIN 47 came out in 2005, there was widespread buzz about its potential as a catalyst: Would Brownfields be addressed to avoid addressing FIN 47? The National Real Estate Investor predicted an “urgent need to dispose of” Brownfields. Others dubbed FIN 47 “a wake-up call for Wall Street,” “a Brownfields bonanza,” “little SOX” (a reference to the sizeable impact of Sarbanes-Oxley), and even “that sneaky FIN 47.” Predictions of “big, ugly surprises,” falling stocks, and bankruptcies abounded—so much chatter you could just hear Gilda Radner’s cardigan-clad Emily Litella saying, “What’s all this fuss about Gin 47?! What does aromatic, 94-proof alcohol have to do with Brownfields redevelopment!?”

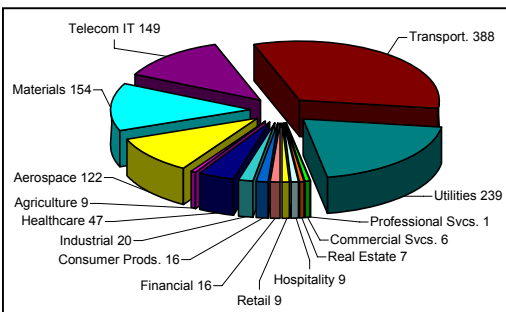
Well, more than you might think, Miss Litella, but that’s another story. This is *FIN* 47, or Financial Accounting Standards Board (FASB) Interpretation No. 47. It is not distinctly new but rather a clarification of FASB Statement No. 143 (FAS 143) which explains accounting for Asset Retirement Obligations (AROs), i.e., legal obligations of retiring a property or equipment. FAS 143 was issued in 2001 but was rampantly misinterpreted. (And apparently accounting standards will *not* stand for being rampantly misinterpreted, as evidenced by the existence of 47 interpretations!) Most companies reported costs for imminent closures *only*, but FIN 47 says publicly traded firms must report any ARO related to “normal operations” that must be settled (e.g., UST closure, asbestos abatement) on the balance sheet *now*, even if it won’t be settled until the 12th of never, so shareholders get the whole picture. With 450,000 Brownfields out there, it’s reasonable to expect a sizeable impact. FIN 47 essentially went into effect in December 2005 but it is a Generally Accepted Accounting Principle, not regulation, and there is *still* ambiguity, so implementation will likely be gradual. Here’s how it’s shaking out:

FIN 47: WHAT INDUSTRY HAS THE MOST LIABILITIES? WHOSE BOTTOM LINE WAS HIT HARDEST?

Incremental ARO by Industry (\$ millions)



Impact to Earnings by Industry (\$ millions)



- ▶ 127 firms reported liabilities of \$6.4b (\$50 mm average) and reduction to their bottom line of \$1.2 b.
- ▶ Most stocks declined \$0.01-0.04 per share. Exceptions: US Gypsum \$0.26; Ford \$0.11; United Technologies and Brinks \$0.09.
- ▶ Those reporting impact include the expected (utilities, telecom, manufacturers) and the less-expected (restaurants, retailers).
- ▶ Frequently cited were asbestos, PCBs; some USTs. Temporary idling does not count as “retirement” so there’s a case for omitting mothballed plants, and catastrophic events are reported elsewhere but what about contamination resulting from “normal” operating practices? Few reported so far.

Industry	# Firms	% New AROs	% Income Decrease
Aerospace	3	3%	10%
Agriculture	1	1%	<1%
Financial	1	<1%	<1%
Commercial Svcs.	2	<1%	<1%
Consumer Products	3	<1%	<1%
Healthcare	3	1%	4%
Hospitality	4	<1%	<1%
Industrial	11	1%	2%
Materials	21	4%	13%
Professional Svcs.	1	<1%	<1%
Real Estate	5	<1%	<1%
Retail	5	<1%	<1%
Telecom IT	10	5%	13%
Transportation	7	7%	33%
Utilities/Energy	50	74%	20%
Total	127	100%	100%

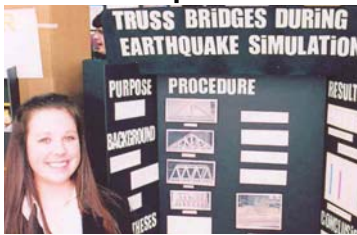
Ford’s earnings hit drew gasps but was based on an accounting method not used by most firms. Still...value is in the eye of the shareholder, so are these impacts enough for investors to call for moving Brownfields off the books...and into redevelopment? Stay tuned. Meantime, if your accountants call, Cummings/Riter can help estimate the fair value of AROs. If they’re not calling you about this, you may want to find out why. The SEC will be watching for underreporting and FIN 47-dodgers risk civil or criminal penalties. Yikes! Pass the gin!

What's Happening

12th Annual OSHA Training

Training for staff & clients Sept. 8.

SciTech Spectacular



Chris Kuzmowski judged at this regional science fair. C/R's award went to 10th grader Angelica Matt of New Kensington, PA for her project Earthquakes & Truss Bridges. (What ever happened to potato batteries?!)

Movin' On

Our best to CBS's **Linda Kelley**, a favorite client, on joining **Bob Kelley**, a favorite client-spouse, in retirement!

Another great client, **Ed Jackson** is leaving Susquehanna Pfaltzgraff for a new position at Wagman Construction. Ed, it's been an honor and a privilege.

OUT OF LEFT FIELD: Gloucester, MA

Sure, it's the oldest seaport, cradle of the fishing industry, home of the Andrea Gail, but to *really* know a town, read its police blotter. These *real* items shared with permission:

► A woman getting her laundry from a Maplewood Ave. business was hit in the back by a packet of duck sauce from a moving vehicle. She was not injured.

► Police got a call at 5 p.m. Wednesday that Pond St. residents had propped up a dead beaver in a chair in front of their home. The beaver held a sign that said, "Slow down." When police drove by they also saw the beaver but did not make the residents remove the animal. ► A dog being walked on Cleaves St. fell over and died, apparently of natural causes. ► A woman's live-in ex-husband drank alcohol in front of their newly adopted bird which upsets their dog. When confronted by police he said, "I only had a couple nips. At least I didn't smoke my pipe in front of it."

BIRD'S EYE VIEW: Adjusting the Sails

Often when a key employee leaves a firm it's glossed over, as if it somehow means you fall short as a company. We see it differently. As many of you know, one of our first employees, shareholder Bill Baughman,



Ken Bird, VP

recently left C/R to return to his roots, logging oil and gas wells in Pennsylvania's backwoods as a sole practitioner. Some of us worked with Bill for over 20 years, so it was a tough parting. His wife provided daycare for my daughters beginning in 1985 and our oldest daughters remain best friends. But career-wise Bill wanted a change, and we similar-aged folks understand his desire to be where he's happiest: in the woods. Although you can't change the wind, you can adjust your sails and that's what C/R has done. This change has created new opportunities for Doug Spicuzza, Bob Hendricks, Matt Valentine, Jill Clemenich, Chad Coy, Cam Nix, Rock Martin, and others as they take on Bill's duties. Our clients always say that our staff is our greatest strength, and this was demonstrated once again as they rose to the occasion. For those of you who worked mostly with Bill, we thank you for the adjustments you've made, and look forward to smooth sailing ahead.

Regulatory *Ch-Ch-Changes*

► **Wetlands:** In June the US Supreme Court ruled in favor of the "Sandman" culminating an 18-year battle by 70-year-old John Rapanos who moved sand from one part of his property to another, a wetland, which the Army Corps deemed pollution of navigable waterways. The Court's conflicting advice & suggestion that the Corps rewrite regulations will slow permitting, and there are rumblings of a Wetlands Protection Act. ► After faring poorly in an evaluation of its Sediment Management Strategy, USEPA will improve it; this may mean more attention to sediment sites. ► ASTM's planned schedule for a vapor intrusion standard: raw draft in Oct. '06, committee ballot in summer '07, final in Oct. '07. ► New hazardous waste manifests effective Sept. 5, 2006; training video at www.pneac.org/hazwastemanifest.

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