Fox Rothschild LLP
ATTORNEYS AT LAW

INTERSECTIONS OF ENVIRONMENTAL LAW, SECURITIES AND ACCOUNTING

Introduction

The purpose of this article is to provide an overview for environmental lawyers on issues related to environment-related financial accounting and disclosures.

There are at least three overall reasons for greater attention to environmental disclosures now:

a. Greater attention from regulators and investors represented, on the one hand, by SEC enforcement actions, and on the other hand, by investor proxy proposals and petitions to the SEC;

b. Changing accounting rules, in part due to migration to fair value accounting and international standards, as well as changing environmental regulations, particularly in the area of greenhouse gas emissions; and

c. More disclosure by more companies of corporate social responsibility and environmental policies and metrics.

Christopher M. Roe is a partner in the Chester County office of Fox Rothschild LLP where he counsels clients on a wide range of local and national environmental-related matters. Chris can be reached at croe@foxrothschild.com, or 610-458-4987.

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Enforcement. For example, recent SEC enforcement related to environmental reserves and disclosures include *SEC vs. Safety-Kleen Corp.*, *et al* (including the guilty plea dated June 22, 2007); *SEC vs. James P. O'Donnell, et al* (ConAgra Executives) (settled June 29, 2007); and *In re: Ashland Inc. and William C. Olasin* (Cease and Assist Order issued November 29, 2006). These matters included allegations that environmental reserves were improperly reduced. Also, in September 2007, the New York State Attorney General, Andrew Cuomo, subpoenaed four utilities with coal fired power plants and a coal producer for information relevant to the adequacy of their disclosures related to climate change and the regulation of carbon dioxide emissions. Two of the utilities, Dynegy Inc. and Xcel Energy Inc., entered into settlements with New York in 2008 that committed the companies to greater disclosure on these issues in future SEC Form 10-Ks (annual reports).[1]

Investor Activism. In addition, individual investors and investor groups have been active in pushing proxy proposals for greater disclosure on environment-related matters,[2] and, as to climate change, the Ceres Coalition and others petitioned the SEC to issue guidance and require mandatory disclosures related to climate

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[1] *In re Dynegy Inc.*, Assurance of Discontinuance #08-132 (Oct. 2008)http://www.oag.state.ny.us/media_center/2008/oct/dynegy_aod.pdf; and *In re Xcel Energy Inc.*, Assurance of Discontinuance #08-012 (Aug. 2008), http://www.oag.state.ny.us/media_center/2008/aug/xcel_aod.pdf.

[2] See, e.g., Walmart Stores, Inc. Rule 14a-8 No-Action Letter (Jan. 29, 2010)(disclosures regarding climate change), http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2010/aflcio012910-14a8-incoming.pdf; Dow Chemical Company Rule 14a-8 No-Action Letter (Jan. 6, 2009)(disclosures related to costs to address alleged health and environmental consequences of chemical 2,4 D), http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2009/trilliumassetmgt010609-14a8-incoming.pdf; SEC response to Occidental Petroleum Rule 14a-8 No-Action Letter (Feb. 26, 2009)(disclosures related to compliance and risks to environment and health of indigenous communities associated with oil exploration) http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2009/nyretirees022609-14a8.pdf.

changes in 2007, with supplemental petitions in 2008 and 2009.[3] On January 27, 2010, the SEC issued guidance on climate change that was effective on publication on February 8, 2010.[4]

Changing Rules. In addition, the general move toward convergence of U.S. accounting standards and international standards, as well as specific developments on, for example, fair value (FAS 157, September 2006), conditional asset retirement obligations (FAS 143 and FIN 47), and use of fair value in business combinations (FAS 141R), are changing the rules on accounting related to environmental liabilities. More changes, for example, proposed changes on loss contingencies, are under consideration.[5]

Non-Mandatory Disclosures. More and more publicly traded companies are making statements about environment-related issues and goals in corporate social responsibility reports; many are cooperating with non-governmental entities in tracking and reporting on environment-related metrics, such as green house gas emissions.[6]

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[3] Petition for Interpretive Guidance on Climate Risk Disclosure, September 18, 2007, File No. 4-547, http://www.sec.gov/rules/petitions/2007/petn4-547.pdf; supplemental petition dated June 12, 2008, http://www.sec.gov/rules/petitions/2008/petn4-547-supp.pdf; second supplemental petition dated November 23, 2009, http://www.sec.gov/rules/petitions/2009/petn4-547-supp.pdf.

[4] Commission Guidance Regarding Disclosure Related to Climate Change, SEC, 75 Fed. Reg. 6290 (Feb. 8, 2010).

[5] For the initial Exposure Draft on the 2008 loss contingencies proposal and related materials: www.fasb.org/accounting_for_contingencies.shtml; for a summary of the current status of these efforts see the companion article to this one: *Disclosure of Loss Contingencies – FASB Moving Slowly on Smaller Scale,* Christopher M. Roe.

[6] See e.g., Climate Registry, www.theclimateregistry.org; Carbon Disclosure Project, www.cdproject.net; and Global Reporting Initiative, www.globalreporting.org. For an excellent article on this topic see *Climate Change Disclosure: Out with the Old; In with the New?* J.W. Sellers and K.M. Strait, McGuireWoods LLP (2009).

Overview

As an initial matter, especially for the non-securities lawyer, it is important to remember in this arena that the functions of the legal and accounting professions with regard to disclosures are not the same: a lawyer's duties to the client of loyalty and confidentiality can be at odds with a public accountant's duties to the investing public of skepticism and disclosure.[7]

This article provides a basic overview of disclosure and accrual obligations associated with environment-related liabilities and touches on the following topics:

1. Contingent loss/liability accrual and disclosure obligations, for example, for environmental investigation and clean-up costs, environment-related litigation, and, potentially, impacts from carbon emission limits and global warming; and

2. Asset retirement obligations, and compliance with FIN 47.

The basic contingent loss standard, Statement of Financial Accounting Standards No. 5 ("FAS 5"), has been around since March 1975. The key guide for estimating contingent environmental remediation liabilities, AICPA Statement of Position 96-1, has been around since 1996.

The basic conditional asset retirement obligation standard, Statement of Financial Accounting Standards No. 143 ("FAS

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[7] The so-called "Treaty" between the American Bar Association and the American Institute of Certified Public Accountants on Lawyers' Responses to Auditors was reached in the 1970s. The key document for lawyers providing information to auditors is the ABA's *Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information*, adopted in 1975; for auditor's, AICPA's *Statement on Auditing Standards No. 12,* adopted in 1976.

143"), was issued in June 2001. The more recent interpretative guidance, Financial Accounting Standards Board Interpretation No. 47 ("FIN 47"), was only intended to further illuminate existing concepts. In fact, significant, specific FIN 47 disclosures and notes to financial statements have been commonplace since the issuance of FIN 47 in 2005, including by some of the largest companies.

Additionally, there have been recent developments that may affect the manner in which a company needs to address requirements associated with environmental exposures and liabilities that are briefly discussed, along with their potential implications.

Sources of Authority

By way of a broad overview, the Securities Act of 1933 and the Securities and Exchange Act of 1934, and the regulations promulgated thereunder, require that certain information be made available by persons selling securities and that the information be accurate. The SEC was established by the 1934 Act. The SEC was given broad authority over all aspects of the securities industry. The duties to disclose actual or potential environmental liabilities arise under the specific disclosure requirements of Regulation S-K[8] and the general antifraud provisions of 1934 Act and the regulation thereunder.[9]

In response to certain corporate scandals that revealed instances of insufficient auditor independence, a lack of adequate internal controls, and business leaders who claimed to not be aware of irregularities in their own organizations, the Sarbanes-Oxley Act of 2002[10] mandated a number of reforms to enhance corporate responsibility, enhance financial disclosures and combat corporate and accounting fraud, and created an oversight board to oversee the activities of the auditing profession. Sarbanes-Oxley

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[8] 17 C.F.R. Part 229.
[9] 15 U.S.C. § 78j(b) and 17 C.F.R. 240.10b-5.
[10] Public Law 107-204 (July 30, 2002).

also imposes certain obligations on lawyers who are deemed to be practicing before the Commission.

The SEC requires publicly traded companies to prepare and file certain periodic reports, (such as 10-Q (quarterly), 10-K (annual) and 8-K (episodic)) and specifically requires that those financial statements comply with "generally accepted accounting principles" ("GAAP"). In fact, the rules state that statements filed with the Commission which are not prepared in accordance with GAAP "will be presumed to be misleading or inaccurate."[11]

This means that the standards developed by the Financial Accounting Standards Board ("FASB"), a private sector, independent body set up to establish standards of financial accounting and reporting, have become integrated into the SEC regulatory scheme. The SEC has deferred to and has officially recognized the standards developed by FASB as authoritative.[12] Similarly, the American Institute of Certified Public Accountants ("AICPA") has adopted FASB standards as authoritative for its members.[13]

A. Securities Regulations

SEC regulations related to the disclosure of environmental liabilities include the following:

Item 101 of Regulation S-K, which generally requires a company to describe its business and that of its subsidiaries and to disclose material[14] effects of compliance with environmental laws:

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[11] 17 CFR 210.4-01.

[12] Financial Reporting Release No. 1, Section 101 and reaffirmed in its April 2003 Policy Statement.

[13] Rule 203, Rules of Professional Conduct, as amended May 1973 and May 1979.

[14] Whether a company is required to make a disclosure of environmental costs or loss contingencies under Item 101 or Item 303 is predicated on whether the costs or loss contingencies are considered "material." Generally, an item is material if there is a substantial likelihood that its disclosure would be viewed by a "reasonable investor" as having

> Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries. The registrant shall disclose any material estimated capital expenditures for environmental control facilities for the remainder of its current fiscal year and its succeeding fiscal year and for such further periods as the registrant may deem material.[15]

Item 103 of Regulation S-K requires a brief description of any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the registrant or any of its subsidiaries is a party or of which any of their property is the subject. Item 103 provides, as to releases to the environment, provides:

> an administrative or judicial proceeding . . . arising under any Federal, State or local provisions that have been enacted or adopted regulating the discharge of materials into the environment or primary for the purpose of protecting the environment shall not be deemed 'ordinary routine litigation incidental to the business' and shall be described if:
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> A. Such proceeding is material to the business or financial condition of the registrant;
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> B. Such proceeding involves primarily a claim for damages, or involves potential monetary

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significantly altered the "total mix" of information based on which he or she determines whether to invest. *See TSC Industries Inc. v. Northway, Inc.*, 426 U.S. 438, 448 (1976).

[15] 17 CFR 229.101(c)(xii).

sanctions, capital expenditures, deferred charges or charges to income and the amount involved, exclusive of interest and costs, exceeds 10 percent of the current assets of the registrant and its subsidiaries on a consolidated basis; or

C. A governmental authority is a party to such proceeding and such proceeding involves potential monetary sanctions, unless the registrant reasonably believes that such proceeding will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than $100,000; provided, however, that such proceedings which are similar in nature may be grouped and described generically.[16]

Item 303 of Regulation S-K requires management's discussion and analysis ("MD&A") of financial condition and results of operations. The instructions to Item 303 provide, in part:

1. The registrant's discussion and analysis shall be of the financial statements and of other statistical data that the registrant believes will enhance a reader's understanding of its financial condition, changes in financial condition and results of operations.

2. …..

3. The discussion and analysis shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This would include descriptions and amounts of (A)

[16] 17 CFR 229.103 (Item 103).

> matters that would have an impact on future operations and have not had an impact in the past, and (B) matters that have had an impact on reported operations and are not expected to have an impact upon future operations.

This MD&A requirement in Item 303 is one of the places where companies might address the uncertainties "known to management" about potentially significant "impact on future operations" related to climate change.

Item 503(c) of Regulation S–K requires a registrant to provide a discussion of the most significant risk factors that make an investment in the registrant speculative or risky.[17] Item 503(c) specifies that risk factor disclosure should clearly state the risk and specify how the particular risk affects the particular registrant; registrants should not present risks that could apply to any issuer or any offering.

B. FASB Guidance

Some of the accounting guidance essential to understand disclosure requirements related to environmental liabilities includes:

> FAS 5, Accounting for Contingencies, and documents that interpret its requirements, including: SOP 96-1, Environmental Remediation Liabilities;
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> FAS 141(R), Business Combinations, which generally provides for recognizing and measuring assets acquired and liabilities assumed (including environment-related contingencies) in transactions; and

[17] 17 C.F.R. 229.503(c).

FAS 143, Accounting for Asset Retirement Obligations, and documents that interpret its requirements, including: FIN 47, Accounting for Conditional Asset Retirement Obligations.

1. <u>FAS 5 - Accounting for Contingencies (1975)</u>

FAS 5 establishes standards of financial accounting and reporting for loss contingencies.

FAS 5 requires that an estimated loss from a loss contingency *shall be accrued* by a charge to income if *both* of the following conditions are met:

a. Information available prior to issuance of the financial statements indicates that it is *probable* that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss.

b. The amount of loss can be *reasonably estimated*.[18]

FAS 5 defines the likelihood of a loss contingency as follows:

Remote - - The chance of the future event or events occurring is slight.

[18] FASB FIN 14, Reasonable estimation of the Amount of loss provides guidance where a range of loss can be reasonably estimated but no single amount within the range appears best.

Reasonably possible - - The chance of the future event or events occurring is more than remote but less than likely.

Probable - - The future event or events are likely to occur.

2. <u>AICPA Statement of Position No. 96-1 (October 1996), Environmental Remediation Liabilities ("SOP 96-1")</u>

SOP 96-1 provides accounting guidance for the recognition, measurement and disclosure of environmental remediation liabilities.

Under SOP 96-1, an accrual for environmental liabilities should include incremental direct costs of the remediation effort and costs of compensation and benefits for those employees who are expected to devote a significant amount of time directly to the remediation effort, to the extent of the time expected to be spent directly on the remediation effort.

The measurement of the liability should include:

1. The entity's allocable share of the liability for a specific site; and

2. The entity's share of amounts related to the site that will not be paid by other potentially responsible parties or the government.

Measurement of the liability is to be based on enacted laws and existing regulations and policies, and on the remediation technology that is expected to be approved to complete the remediation effort. Additionally, measurement of the liability should be based on the reporting entity's estimates of what it will cost to perform all elements of the remediation effort when they

are expected to be performed. The measurement may be discounted to reflect the time value of money only if the aggregate amount of the liability or component of the liability and the amount and timing of cash payments for the liability or component are fixed or reliably determinable.

SOP 96-1 also includes examples meant to provide guidance on the display of environmental remediation liabilities in financial statements and on disclosures about environmental-cost-related accounting principles, environmental remediation loss contingencies, and other loss contingency disclosure considerations.

3. FAS 141R - - Business Combinations

In 2007, FASB issued a revised version of Statement of Financial Accounting Standards No. 141, *Business Combinations* (FAS 141R). FAS 141R governs how acquirers must recognize and measure liabilities assumed in an acquisition and required the use of fair value accounting in certain circumstances. In response to concerns that privileged information would need to be disclosed by counsel to auditors (or auditors would not have access to the information needed to support the decisions made under FAS 141R), FASB issued an FASB Staff Position (FSP FAS 141R-1) in April 2009. FSP FAS 141R-1 provides that if the acquisition date fair value cannot be determined, the liabilities and assets are to be determined consistent with FAS 5 or FIN 14.[19]

4. FAS 143 and FIN 47 - - Conditional Asset Retirement Obligations

[19] Recent articles discussing the implications of FAS 141R and FSP 141R-1 include *FAS 141R and Environmental Contingencies: Not Business as Usual*, by John P. Fillo; and *Management and Protection of Environmental Contingent Liability Information Under FAS 141R-1* by Edward B. Witte and Natalia Minkel-Dumit in the ABA Environmental Disclosure Committee Newsletter, December 2009.

In June 2001, FASB issued FAS 143, Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*, to establish more standardized methods of accounting in the present for the costs of legal obligations[20] that need to be satisfied at the inevitable retirement of a tangible long-lived asset at the end of its useful life in the future. FAS 143 provides that an entity is required to recognize the fair value of a liability for an asset retirement obligation for long-lived tangible assets in the period in which the obligation is incurred if a reasonable estimate of fair value[21] can be made.[22] For an asset with an existing asset retirement obligation, the date the asset is acquired is considered the date on which the asset retirement obligation is incurred.

FAS 143 is not, on its face, primarily aimed at or limited to environment-related asset retirement obligations, but it can address obligations predicated on environmental requirements. Examples of disclosures that have been made include disclosures related to reclamation and closure requirements for:

1. Landfills
2. Mine closure/reclamation and tailings ponds
3. Above ground and underground storage tanks
4. Nuclear power plant decommissioning

In issuing FAS 143, FASB explained that an environmental remediation liability that results from the normal operation of a long-lived asset, and that is associated with the retirement of the asset, must be accounted for under FAS 143. On

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[20] For purposes of FAS 143, a legal obligation can result from (a) a government action, such as a law, statute, or ordinance, (b) an agreement between entities, such as a written or oral contract, or (c) a promise conveyed to a third party that imposes a reasonable expectation of performance upon the promisor under the doctrine of promissory estoppel.

[21] Under FAS 143, "fair value" means the amount at which a liability could be settled in a transaction between willing parties. FAS 143, § 7.

[22] FAS 143, § 3.

the other hand, an environmental remediation liability that results from other than normal operation of a long-lived asset likely falls under FAS 5 and SOP 96-1.

This explanation, though, when applied, may seem like an over-simplification to an environmental lawyer trying to assist his or her client or the client's auditor. For example, FASB's explanation distinguishes between "a certain amount of spillage that may be inherent in the normal operations of a fuel storage facility" (and may trigger accounting under FAS 143) and compares that to a spill that occurs as a result of a "catastrophic accident" (potentially triggering treatment under FAS 5 and SOP 96-1). Environmental practitioners may recognize that the bulk of environmental contamination at a fuel storage facility is not easily attributable to one or more catastrophic events. On the other hand, it also is not likely present due to "proper" operation of the assets, but to significant (perhaps unidentified) spill events and chronic leaks from tanks, lines, coupling devices and joints.

FAS 143 also states that the fair value of the costs of required "intermediate capping activities" for a landfill (presumably not simply the application of daily cover) as well as the costs of required closure and post-closure care, should be accounted for under FAS 143.

In 2005, FASB issued an interpretation of FAS 143 that put a spot-light on potential environment-related asset retirement obligations. FASB's interpretation, known as FIN 47 (FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations an interpretation of FASB Statement No. 143*), points out that FAS 143 requires that an entity recognize the fair value of a "conditional asset retirement obligation" before the event that either requires or waives performance of the obligation occurs.[23]

For the sake of FAS 143 and FIN 47, the term "conditional asset retirement obligation" means "a legal obligation to perform an asset retirement activity in which the timing and (or) method of

[23] FAS 143, § A23.

settlement are conditional on a future event that may or may not be within the control of the entity."[24] An entity is therefore required to recognize the liability for the fair value of a conditional asset retirement obligation when the obligation is incurred (i.e., acquisition, construction, development, or normal operation of the asset) if the fair value of the obligation can be reasonably estimated.

The examples provided in FIN 47 are all related to requirements of environmental law. Once again, these examples may raise as many questions in the mind of an environmental practitioner as they answer. Each example is discussed below.

Example 1. A telecommunications company utilizes chemically treated utility poles in its operations. The entity periodically replaces the poles for operational reasons. Legislation exists in the state in which the company operates that would require special disposal procedures for the treated wooden poles. Even though the timing of the asset retirement activity is conditional on the removal and disposal of the poles, and the poles may be disposed of, reused or sold by the telecommunications company, FIN 47 requires that the utility state, at the date of the purchase of the poles, an estimated fair value of the liability for the required disposal procedures using an expected present value technique.[25]

In other words, should the state's solid or hazardous waste management laws and/or regulations impose legal requirements for the poles when disposed at the end of their useful life, the company must recognize the fair value of the cost of complying with those requirements in its current accounting.

Example 2. An entity utilizes kiln bricks in its operations. The bricks have been purchased by the entity, but not used in any operations. The bricks will become contaminated with hazardous materials when the kiln is operated, and state law requires disposal

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[24] FIN 47, § 3.
[25] FIN 47, §§ A2 – A5.

of the contaminated bricks at a hazardous waste site upon removal. According to FIN 47, once the bricks are placed in service, the entity has the ability to estimate the range of potential settlement dates, the method of settlement, and the probabilities associated with potential settlement dates based on its past operations of the kiln and the replacement of bricks. The fair value of the asset retirement obligation for the bricks should be recognized once the kilns have been placed in service and the bricks contaminated. The fair value of the disposal procedures can be estimated using an expected present value technique.[26]

Presumably, of course, once the bricks are contaminated to any degree they will be required by environmental law to be specially handled at some level, for example, they will fall outside Pennsylvania's Disposal of Fill Policy. The "hazardous waste" treatment in this example, therefore, is likely unnecessary to the FIN 47 obligation, though it will be very relevant to estimating the fair value of the end of life obligation.

Example 3. An entity acquires a factory containing asbestos. Following the acquisition, regulations are enacted requiring special handling and disposal of the asbestos if the factory undergoes major renovations or is demolished. The entity could potentially retire the facility by demolishing, selling or abandoning it. The entity does not expect to undertake a renovation of the facility that would require removal and disposal of the asbestos. While the timing of the retirement of the facility is conditional on the date of major renovations or demolition of the facility, the regulations impose an obligation on the entity to dispose of the asbestos in a special manner. The entity is required to recognize the fair value of the retirement obligation when the regulations are enacted if it can reasonably estimate the fair value of the liability. If the entity believes the range of settlement dates is unknown or cannot be estimated, the entity must disclose a description of the obligation, the fact that a liability has not been

[26] FIN 47, §§ A6- A8.

recognized because the fair value cannot be estimated and the reasons why fair value cannot be reasonably estimated.[27]

Example 4. Similar to Example 3, an entity acquires a factory containing asbestos. Regulations are in place that require special handling and disposal of the asbestos if the factory undergoes major renovations or is demolished. At the time of acquisition, the entity believes the obligation has an indeterminate settlement date, an active market does not exist to transfer the obligation, and sufficient information is not available to apply a present value technique. Ten years after the acquisition the entity obtains additional information based on changes in demand for the products manufactured at the facility. At that time, the entity is able to estimate the range of potential settlement dates, the potential methods of settlement, and the probabilities associated with the potential settlement dates and methods of settlement. The entity would be required to recognize the asset retirement obligation for the asbestos ten years after the acquisition of the facility, because sufficient information exists at that time to estimate the fair value of the obligation. Similar to Example 3 above, the entity is not required to recognize the asset retirement obligation at the time the facility is acquired if the entity determines it does not have sufficient information.

The lack of sufficient information to estimate the fair value of the obligation does not relieve the entity of its burden to disclose the obligation however. At the time of the acquisition, the entity would be required to disclose a description of the obligation, the fact that a liability has not been recognized because its fair value cannot be estimated, and the reasons why the fair value cannot be estimated.[28]

For an environmental practitioner, these examples suggest the challenge of applying accounting theory to the reality of the information that is kept and reasonably available to businesses with significant assets. Many, if not most, long-lived assets (assets

[27] FIN 47, §§ A9 – A10.
[28] FIN 47, §§ A11-A13.

with a useful life of 10 years or more) used in business and industry require some special handling under local ordinance or state or federal solid or hazardous waste laws, when they are disposed of at the end of their useful lives, often simply because they are wastes that result from commercial or industrial activities.

Similarly, many assets, or parts thereof, contain hazardous substances or become contaminated through use with, for example, inks, oils, or metal dusts. Characterization of these assets for disposal purposes likely will not have occurred until there is a need to dispose of them.

A few examples of items that may warrant assessment for FIN 47 applicability are as follows:

1. *Lead-based paint*
2. *PCB-containing electrical equipment*
3. *Mercury-containing control equipment*
4. *Spent catalyst / sorbents*
5. *Stored process residues*
6. *Pipeline residuals*
7. *Electronic equipment*
8. *SF_6 Equipment*
9. *Nuclear sources*
10. *HVAC / ducts*
11. *Lease obligations with regard to restoration or compliance issues*

This list is by no means comprehensive and it is likely that significant questions will continue to arise as the respective disclosures are compared and analyzed.

Conclusion

This article is a general, *not exhaustive*, review of accounting and disclosure requirements that may be implicated by environment-related claims, remediation obligations, and losses. These are evolving requirements, both because of trends in accounting, such as emphasis on fair value and the general move

toward convergence with international standards, and due to evolving enforcement and regulations (especially greenhouse gas) initiatives.