Expert Report of
William M. Kime

Concerning Certain Costs of the
U. S. Department of Justice
Environment and Natural Resources Division

Rubino & McGeehin Consulting Group, Inc.
Bethesda, Maryland 20817

June 13, 2007

William M. Kime

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Date

EXPERT REPORT OF WILLIAM M. KIME

I, William M. Kime, am a Certified Public Accountant and a shareholder in the consulting firm of Rubino & McGeehin, Consulting Group, Inc. ("R&M").

R&M is under contract with the United States Department of Justice ("DOJ") Environment and Natural Resources Division ("ENRD") to assist in the accumulation, processing and reporting of information relating to costs incurred by the ENRD in the prosecution of cases under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA" or "Superfund"), as amended. The contract commenced with the accumulation of costs for Fiscal Year 1988 (beginning October 1, 1987) and continues through the present.

I am the officer/shareholder responsible for the work performed by R&M on behalf of ENRD concerning costs incurred by ENRD relating to the Bunker Hill Superfund Site ("Superfund Site" or "Site"). I have over 24 years of experience in public accounting. Throughout my career I have been heavily involved in providing audit and consulting services to federal government contractors. Moreover, I have over 16 years of experience reviewing costs incurred by the ENRD in connection with response actions under CERCLA. Enclosed, as Exhibit I, is a current copy of my personal resume, which provides more detailed information with respect to my background and qualifications. Attached to the resume is my listing of testimony over the last four years. I have not published in the last 10 years.

All work performed by staff members of R&M relating to the aforementioned review of DOJ cost documentation relating to the Site was performed under my supervision and control. I have knowledge of all procedures undertaken by R&M in recording and calculating costs of attorneys and paralegals, as well as other related costs incurred by ENRD relating to CERCLA cases. My hourly rate for the services discussed herein is $215.00 per hour

In the course of our accumulations of ENRD Superfund costs, R&M summarizes the direct labor, other direct costs, and related indirect charges incurred by ENRD under each CERCLA case.

R&M assisted in the design of the procedures used to accumulate the costs relating to CERCLA cases. The procedures used to assign and allocate costs to specific cases are based on generally accepted accounting principles, including references to cost allocation guidelines outlined in Federal Acquisition Regulations and Cost Accounting Standards.

R&M has accumulated, summarized, and reported costs for all Superfund cases up to and including March 31, 2007. The costs, which ENRD has incurred and paid, are segregated into three areas. Those areas are: Direct Labor Costs, Other Direct Costs, and Indirect Costs, as more fully described below.

Direct Labor Costs of attorneys and paralegals are calculated using information summarized from daily time information prepared by ENRD employees and bi-weekly salary information supplied to R&M by ENRD. R&M uses all hours (including non-case hours and both Superfund and non-Superfund case hours) accounted for by a particular employee for the bi-weekly period and the employee's bi-weekly salary cost to calculate an effective hourly rate for that period. For example, if an attorney's bi-weekly salary was $3,000 and the attorney accounted for 100 hours that period, the effective hourly rate would be $30. This hourly rate is then multiplied by the hours the employee worked on a case to calculate the cost of direct labor for that case for that period.

Other Direct Costs are expenses specifically identified to a case through ENRD's accounting system. These items include, but are not limited to, costs paid for travel, expert witnesses, special masters, deposition and trial transcripts, and litigation support costs.

In addition to the directly identifiable costs associated with Superfund and other ENRD cases, there are other Indirect Costs incurred by ENRD which support all ENRD cases, both Superfund and non-Superfund. The Indirect Costs are the types of costs which are incurred to support the functioning of ENRD attorneys during their performance on individual cases. Specifically, these Indirect Costs include, but are not limited to, indirect labor (e.g., attorney and paralegal administrative time, secretarial support, accounting support, record keeping, and time keeping), compensated absences (e.g., vacation, holiday, and sick time), fringe benefits, office space and utilities, supplies, and training.

The Indirect Costs are allocated to all individual cases through the use of an indirect cost allocation system designed by R&M. The Indirect Cost Rate is calculated by dividing the total of the aforementioned Indirect Costs for a fiscal year by a base consisting of the total ENRD Direct Labor Costs for that fiscal year (i.e., the cost of attorney and paralegal labor for both Superfund and non-Superfund cases) to produce a division-wide Indirect Cost Rate by fiscal

year. Thus, if .5% of the total ENRD Direct Labor Costs are incurred on a particular case, then .5% of the total ENRD Indirect Costs would be allocated to the case.

Through the development and application of the Indirect Cost Rate, only a fraction of ENRD's Indirect Costs are allocated to Superfund cases. As an example, in fiscal year 1999, $39,270,963, or 72%, of the total Indirect Costs were allocated to non-Superfund cases.

For fiscal years prior to 2007, we used the final indirect cost rate for each year. For fiscal year 2007, we have applied the current year's provisional indirect rate of 200%. This rate is based on the costs incurred to date in 2007.

The accumulation and reporting of the costs relating to the Bunker Hill Site through March 31, 2007, were performed in the normal course of our contract with ENRD. The total incurred costs through March 31, 2007 as attached on Exhibit II for CERCLA activities in connection with the Bunker Hill Site are $21,081,921.

I have estimated costs to be incurred after March 31, 2007 for DOJ using assumptions provided by Counsel. The assumptions provided were for hours and other direct costs they anticipate incurring through October 9, 2007.

To calculate future direct labor costs, I applied an estimated hourly rate for each employee to that employee's estimated hours. The labor rates were based on the average actual hourly rates incurred through March 2007. To the estimated future labor dollars I applied a provisional indirect cost rate based on the average of the final indirect cost rates for the last five years. This average rate is 215.754%.

As a further comparison, the final indirect cost rate for fiscal year 2006 was 215.5028%. The provisional rate approximates the future indirect costs based on the same indirect methodology employed by DOJ since 1986, and in my opinion, the use of a provisional indirect rate is an appropriate method of estimating the future indirect costs.

To the calculated total estimated labor and indirect costs I added the estimated travel and subcontract costs as provided by Counsel of $695,616. Therefore, the total estimated DOJ costs for the site for the period April 1, 2007 through October 9, 2007 are $1,151,505.

Based on the system as described above, the costs incurred and estimated future costs for this site total $22,233,426 for the period October 1995 through October 9, 2007.

In my opinion, the system described above results in an accurate reporting of the direct costs incurred by DOJ-ENRD, and a fair and reasonable estimation of indirect costs through March 31, 2007. It is also my opinion that the method of estimating future direct and indirect costs is appropriate based on the assumptions provided for the period through October 9, 2007.

The documents I have relied on in forming these opinions are:

a. For fiscal years 1996 through August 31, 2003, we relied upon time sheets, time summaries, invoices, travel authorizations and EPA billing summaries prepared by R& M.

b. For costs incurred from September 1, 2003 through September 30, 2005 we relied upon case cost summary reports time by Attorney/Paralegal reports and EPA billing summaries prepared by R&M.

c. For the period October 1, 2005 through March 30, 2007 we relied upon case cost summary reports and time by Attorney/Paralegal reports prepared by R&M.

d. Estimated labor hours and estimates of other direct costs after March 31, 2007 provided by the Department of Justice.

e. Inspector General Audits for costs incurred during fiscal years 1996-2003.

WILLIAM M. KIME
Personal Resume

Mr. Kime is a shareholder in Rubino & McGeehin Consulting Group, Inc (R&M). He joined R&M in 1981 and has over 24 years of experience in providing audit and consulting services to a wide variety of clients. For the past 15 years, Mr. Kime has focused exclusively in managing litigation support and expert testimony consulting engagements for our R&M's corporate and public entity clients.

Mr. Kime currently provides litigation support and consulting services to private law firms, large corporations (including government contractors), and State and Federal government agencies on damages issues arising out of both government contract and commercial contract disputes (see attached list of cases in which he has provided testimony).

Mr. Kime has provided consulting services in disputes involving:

- State and Federal Contracts, including Qui Tam and military procurement matters,
- International and Multinational Corporate claims,
- Environmental Cost Recovery cases,
- Construction Contract disputes,
- Lost Profits calculations.

His experience includes assessing the adequacy of accounting systems and records of private companies and governmental units; developing cost allocation methods; providing expert testimony on specific cost accounting issues; and assisting in negotiation of contracts and working with the Defense Contract Audit Agency. The companies and agencies for which Mr. Kime has provided assistance have covered a wide range or industries, including manufacturing, defense procurement, and personal services, and he has worked for both large National and International corporations on procurement and contract termination matters.

The services he has provided also include assistance to businesses for the estimation and calculation of claim damages resulting from a change in contract requirements or late exercise of contract options, and review of available documentation, pricing of damages, and preparation of the claim for submission. He has implemented computer based cost accounting systems, for both private and public owners including the system used to accumulate DOJ costs for Superfund cases. In addition, Mr. Kime has provided assistance to contractors for pre-award, cost incurred and final close-out Government audits.

Mr. Kime is also involved with environmental cost recovery actions being prosecuted by the U.S. Department of Justice. He provides consultation to various government agencies, (e.g., the U.S. Department of Justice and the U.S. Environmental Protection Agency), on a variety of cost accounting and financial matters, including reviewing the adequacy of accounting systems and supporting documentation; analyzing and preparing allocations of costs to sub-sites or responsible parties; and providing expert testimony on specific cost issues. In addition to his litigation support services for DOJ and EPA, Mr. Kime assisted in developing of and maintaining of a computerized database used by DOJ for case cost reporting.

WILLIAM M. KIME
Personal Resume

Mr. Kime has also worked in the area of construction claim pricing and analysis. As part of these efforts, he provides consultation to both construction contractors and owners on a variety of cost accounting and financial matters, including reviewing the adequacy of accounting systems and supporting documentation; analyzing and preparing allocations of costs; and providing expert testimony on specific cost issues. Issues under consideration in these claims have included labor costs; labor burdens; inefficiencies; equipment costs; material and subcontractor costs; field and home office overhead; and lost profits.

WILLIAM M. KIME
Personal Resume

EDUCATION

- BS Accounting, University of Scranton (May 1981)
- Specialized training

PROFESSIONAL CERTIFICATIONS

- Certified Public Accountant

RELEVANT EXPERIENCE

- Public Accounting Practice and Management Consulting
- Expert Testimony and Litigation Support
- Audits and Reviews of Government Contractors Financial Statements and Accounting Systems
- Analysis of and Preparation of Claim Damages
- Lecturing Experience

PROFESSIONAL AFFILIATIONS/MEMBERSHIPS

- American Institute of Certified Public Accountants
- Maryland Association of Certified Public Accountants

WILLIAM M. KIME
Listing of Expert Testimony During the Last Five Years

Plaintiff	Defendant	Testimony	Forum
United States of America	Newmont USA Limited	Deposition	United States District Court (March 2007)
Tennessee Valley Marble Holding Company	*Grunley Construction Company, Inc.*	Trial Testimony	United States District Court (December 2006)
United States of America	Union Oil Corporation	Deposition	United States District Court (March 2006)
Alabama Highway	*Harbert International*	Trial Testimony	Circuit Court of Alabama (August 2005)
United States of America	RSR Corporation	Deposition	United States District Court (June 2005)
United States of America	ASARCO, Inc.	Deposition	United States District Court (June 2005)
Overstreet Engineering and and Construction	United States Army Corps of Engineers	-	Mediation (April 2005)
P. Flanigan & Sons	*Maryland Aviation Administration*	Trial Testimony	Maryland State Board of Contract Appeals (February 2005)
United States of America	Kerr-McGee Chemical Company	Deposition	United States District Court (September 2004)
United States of America	Dupont Chemical	Testimony	United States District Court (April 2004)
United States of America	JG-24, Inc.	Testimony	United States District Court (March 2004)
Granite Management	*United States of America*	-	Mediation (March 2004)
Specialized Services, Inc.	*Upper Oconee Basin Water Authority*	-	Mediation (February 2004)
Engineered Products, Inc.	*Interstate Ironworks, Inc.*	Testimony	Arbitration (December 2003)
United States of America ex Rex A. Robinson and James H. Holzrichter	Northrop Grumman Corporation	Deposition	United States District Court (April 2003)

WILLIAM M. KIME
Listing of Expert Testimony During the Last Five Years

Plaintiff	Defendant	Testimony	Forum
Medlar Electric, Inc.	*Parkland School District*	Testimony	American Arbitration Association (Oct. 2002)
United States of America	William M. Gurley	Testimony	United States District Court (July 2002)
Utility Engineering Corp.	Mountbatten Surety Co.	Testimony	Arbitration (March 2002)
Lockheed Martin	*United States of America*	-	Mediation (November 2001)
Mace Electric and Blumenthal-Kahn JV	*Stormont Hospitality Group, LLC*	-	Mediation (September 2001)
Rado Enterprises, Inc.	*Parkland School District*	Testimony	American Arbitration Association (June 2001)
United States of America	Tropical Fruit, Inc.	Deposition	United States District Court (May 2001)
United States of America	Chrysler Corporation	Deposition	United States District Court (March 2001)
Delle Data Systems	*Maryland Department of Human Resources*	Testimony	Maryland State Board of Contract Appeals (January 2001)
Cajun Constructors, Inc.	Watkins Engineering	Testimony	American Arbitration Association (October 2000)
United States of America	Montrose Chemical Co.	Deposition	United States District Court (June 2000)
United States of America	Caldwell Trucking Co.	Deposition	United States District Court (June 2000)
BAER Construction Services, Inc.	*Montgomery County, Maryland*	Testimony	Department of Public Works – Hearing (April 2000)
Bayport Pipeline, Inc.	*MFS Network Technologies, Inc.*	Testimony	American Arbitration Association (April 2000)
Kentucky Bridge & Dam	*United States of America*	-	Mediation (September 1999)
State Farm Insurance Co.	*Clark Construction Co.*	Deposition	United States District Court (April 1999)

Exhibit II

U.S. v. BUNKER HILL
SUMMARY OF COSTS INCURRED BY THE DEPARTMENT OF JUSTICE/ENVIRONMENT AND NATURAL RESOURCES DIVISION

DOJ CASE NO.: 90-11-3-128L and 90-11-3-08633

FISCAL YEAR ENDED		DIRECT LABOR COSTS	OTHER DIRECT COSTS	INDIRECT COSTS		TOTAL	
I. Costs Incurred:							
09/30/96		$ 201,562	$ 43,119	$ 472,451	(3)	$ 717,133	
09/30/97		619,874	429,361	1,450,159	(3)	2,499,394	
09/30/98		499,006	744,681	1,135,512	(3)	2,379,199	
09/30/99		653,043	1,119,927	1,495,415	(3)	3,268,385	
09/30/00		634,439	1,302,747	1,367,453	(3)	3,304,639	
09/30/01		849,089	1,048,219	1,788,929	(3)	3,686,237	
09/30/02		161,643	209,385	359,840	(3)	730,868	
09/30/03		43,823	273,035	94,983	(3)	411,841	
09/30/04		367,986	742,511	767,718	(3)	1,878,214	
09/30/05		309,191	294,334	665,107	(3)	1,268,632	
09/30/06	(1)	110,890	421,068	238,971	(4)	770,929	
09/30/07	(1)	52,708	8,327	105,415	(4)	166,450	
Through 3/31/07							
Subtotal Costs Incurred		4,503,254	6,636,713	9,941,955		21,081,921	(2)
II. Estimated Future Costs: April 1, 2007-October 9, 2007							
Attorney/Paralegal Direct Labor:	**Hours**	**Amount**					
David Askman	500	29,740	-	64,166		93,907	
Patrick Casey	320	18,996	-	40,984		59,979	
David Dain	60	3,404	-	7,345		10,749	
Kathryn MacDonald	604	33,832	-	72,994		106,825	
Robert Maher	30	1,665	-	3,592		5,257	
John McDevitt	200	6,815	-	14,703		21,517	
MaryLee Morrison	80	2,501	-	5,395		7,896	
James Nicoll	200	13,176	-	28,428		41,604	
Alan Tenenbaum	40	2,429	-	5,240		7,668	
Robert Turner	900	31,824	-	68,662		100,486	
Subtotal Attorney Costs:	2,934	144,381	(5) -	311,507	(6)	455,888	
Other Direct Costs:							
Attorney/Paralegal Travel:		-	19,177	-		19,177	
Litigation Support		-	12,439	-		12,439	
Expert Witness Fees		-	664,000	-		664,000	
Subtotal ODC's		-	695,616	-		695,616	
Subtotal Future Estimated Costs:		144,381	695,616	311,507		1,151,505	
Total Costs:		$ 4,647,634	$ 7,332,329	$ 10,253,462		$ 22,233,426	

Notes:

(1) -Amount are provisional pending finalization of 2006 and 2007 indirect rates.
(2) -Amounts are based on case costing system maintained by DOJ.
(3) -We applied the final indirect rate for the year in which the costs were incurred (e.g.214.4039% for 1999).
(4) -We used provisional indirect rates of 215.5028 and 200% for 2006 and 2007 respectively.
(5) -Labor rate is based upon the FY '07 effective average hourly rate through March 2007.
(6) -Provisional Indirect Rate is 215.7540% based on average final actual rates for 2002-2006.