

Financial Responsibility Handbook

A Guide to the Financial Responsibility Mechanisms

TABLE OF CONTENTS

Chapter 1:	How to Use This Handbook.....	1-1
Chapter 2:	Certification of Financial Responsibility.....	2-1
Financial Responsibility Mechanisms		
Chapter 3:	Insurance/Risk Retention Group.....	3-1
	Guarantee.....	3-8
	Letter of Credit.....	3-13
	Surety Bond.....	3-17
	Fully Funded Trust Fund.....	3-22
	Self-Insurance.....	3-28
	Standby Trust Fund.....	3-35
Local Government Financial Responsibility Mechanisms		
Chapter 4:	Bond Rating Test.....	4-1
	Local Government Financial Test.....	4-3
	Local Government Guarantee.....	4-7
	Local Government Fund.....	4-17
Chapter 5:	40 CFR Part 280, Subpart H.....	5-1
Attachments		
Attachment A	Storage Tank Financial Responsibility Requirements	
Attachment B	Storage Tank Facility Compliance Inspection Report	

CHAPTER 1

HOW TO USE THIS HANDBOOK

BACKGROUND

The financial responsibility sections in this handbook were based on a manual developed by the Arizona Department of Environmental Quality to assist Arizona inspectors in understanding and reviewing the range of mechanisms that underground storage tank (UST) owners and operators may use to comply with the UST financial responsibility (FR) requirements. Along with a wealth of information specific to Arizona rules, the Arizona manual also included clear, basic background information on each approved FR mechanism, the text required for each FR document, and some general procedures for reviewing these documents--information that UST inspectors in any state might find helpful.

With Arizona's permission, the U.S. Environmental Protection Agency's Office of Underground Storage Tanks (OUST) "co-opted" a number of the manual's appendices, added some additional information, removed Arizona-specific information, and prepared a financial responsibility handbook to share with the state UST programs nationwide.

STATE OF FLORIDA MODIFICATIONS

This handbook is a modification of OUST's manual, and has been modified to contain state-specific material regarding financial responsibility of USTs and aboveground storage tanks (ASTs) as regulated by the Florida Department of Environmental Protection.

HOW TO USE THIS HANDBOOK

This handbook provides a brief description of each mechanism available to storage tank owners and operators to demonstrate their financial responsibility. Following this short introduction, Chapter 2 discusses the Certification of Financial Responsibility, the form which owners and operators must prepare listing all mechanisms they are using to meet their financial responsibility obligation. Chapter 3 discusses the specific FR mechanisms available to all owners and operators. Chapter 4 covers mechanisms used exclusively by local governments. Chapter 5 provides a copy of 40 CFR Part 280 Subpart H.

QUESTIONS

Should you have any questions regarding financial responsibility in the State of Florida you may contact the Petroleum Insurance Administrator at:

Department of Environmental Protection
Bureau of Petroleum Storage Systems
2600 Blair Stone Road - MS 4525
Tallahassee, Florida 32399-2400
(850) 245-8839

CHAPTER 2

CERTIFICATION OF FINANCIAL RESPONSIBILITY

WHAT IS IT?

The Certification of Financial Responsibility indicates the various financial responsibility mechanisms used by an owner or operator to demonstrate financial responsibility. EPA and the State of Florida have developed these forms for two primary purposes:

- * To allow owners/operators to provide evidence of financial responsibility (FR) at a facility where maintenance of other documents is not practical.
- * To assist owners/operators in ensuring that all the necessary coverages and amounts are in place; a summation.

WHO PREPARES IT?

The document is prepared and signed by the owner or operator, and must be signed by a witness or notary.

WHAT DOES IT COST?

The cost of preparation of the document itself is negligible. The cost for failure to prepare the document may be substantial if full penalties are assessed.

DEFINITIONS:

Name of Issuer - is the insurance company or the name of the company providing financial responsibility.

Amount of Coverage - are the dollar amounts in which the owner is responsible for “per occurrence and annual aggregate”. This should include both third-party liability and corrective action coverage.

Period of Coverage - are the dates current coverage(s) begins and ends (if applicable).

Per Occurrence - is the amount of money that must be available to pay the costs of one discharge (occurrence). \$1 million for marketers, based on monthly throughput for non-marketers.

Annual Aggregate - is the total amount of financial responsibility that an owner/operator must have to cover all leaks that might occur in one year. Based on the total number of tanks owned.

REVIEW PROCESS

The Certification of Financial Responsibility must list all mechanisms used to meet the financial responsibility obligation. Further, each time a mechanism is replaced, a new certification must be prepared along with the new instrument. A standby trust fund (see page 3-35) is not a mechanism and is not required to be listed, although it will often appear.

For each mechanism described, a sample of the document that owners and operators should be preparing and maintaining is included. These samples provide the precise wording to be used in the documents and will allow you to compare the actual document you are reviewing to the "template" provided in this handbook. You may wish to keep these sample documents handy; they will allow you to perform a side-by-side comparison to assure that the owner/operator's FR documents are complete and correct.

Please note that in Florida owners or operators with ASTs are also required to provide demonstration of financial responsibility. This is not a requirement at the federal level. The mechanisms contained in this handbook can also be used for ASTs. Simply insert the word "aboveground" where the word "underground" is used. "Underground/Aboveground" can be inserted for sites at which both tank types exist, however, the Department would prefer separate documents from owners and operators with both types of tanks. This is due to the variable amount of dollar coverage typically required for both types of tanks.

The Certification of Financial Responsibility form shown on page 2-3 is the adopted federal form, while the Certification of Financial Responsibility form (DEP Form 62-761.900(3)) on page 2-4 is the form which is to be used by all owners/operators in the State of Florida. **Documentation verifying the financial assurance mechanism should be attached to this form.** Documentation would include a current Certificate of Insurance, copy of a Letter of Credit, a letter from the Chief Financial Officer, if utilizing self insurance or a guarantee, local government mechanisms, etc. The chart provided in Attachment A can be used to ascertain whether certain storage tank systems and types of product require FR.

During the annual facility inspection, performed by DEP or contracted county, an inspector will verify FR records. Attachment B references the applicable sections of both an underground and aboveground tank compliance inspection form. Failure to maintain FR is a violation of Florida regulations and subject to enforcement. In addition, the federal EPA may enforce FR of owners/operators of underground tank facilities.

A copy of the Code of Federal Regulations, Title 40, Part 280, Subpart H is provided in Chapter 5.

The wording of the Certification of Financial Responsibility must conform exactly to that shown on the form, except for the information in brackets which will be unique to each owner or operator.

CERTIFICATION OF FINANCIAL RESPONSIBILITY

§ 280.111(b)(11)(i)

Certification of Financial Responsibility

_____ hereby certifies that it is in compliance with the requirements of Subpart H
[Owner or operator]

of 40 CFR Part 280. The financial assurance mechanism(s) used to demonstrate financial responsibility under Subpart H of 40 CFR Part 280 is (are) as follows:

[For each mechanism, list the type of mechanism, name of issuer, mechanism number (if applicable), amount of coverage, effective period of coverage and whether the mechanism covers "taking corrective action" and/or "compensating third parties for bodily injury and property damage caused by either "sudden accidental releases" or "nonsudden accidental releases" or "nonsudden accidental releases" or "accidental releases."]

Type of Mechanism	Name of Issuer	Mechanism Number	Amount of Coverage	Effective Period of Coverage	Coverage

[Signature of owner or operator]

[Name of owner or operator]

[Title]

[Date]

[Signature of witness or notary]

[Name of witness or notary]

[Date]



Certification of Financial Responsibility

Owners or operators of underground and aboveground storage tank systems regulated by Section 376.301, Florida Statutes shall use this form to demonstrate financial responsibility as required by Rule 62-761.400, F. A.C. Owners or operators shall keep this form at the facility where the storage tank system(s) is located or at their place of business. Records kept off-site shall be made available upon five working days notice.

Certification

Name of owner or operator

certifies that this facility is in compliance with the requirements of the federal financial responsibility rules as referenced in Rule 62-761.400, F.A.C. Compliance includes taking corrective action and compensating third parties for bodily injury and property damage caused by a discharge from the storage tank system(s) at this location.

Financial Mechanism

The financial assurance mechanism(s) used to demonstrate financial responsibility specified in the Federal Register are as follows:

Name of Issuer	Amount of Coverage	Period of Coverage

General Certification Information

<i>Signature of owner or operator</i>	<i>Title</i>	<i>Date</i>
<i>Signature of witness or notary</i>	<i>Title</i>	<i>Date</i>

Facility Identification No.: _____

Facility Name: _____

Facility Address: _____

This certification must be updated whenever the financial insurance mechanism(s) used to demonstrate financial responsibility change(s). Please attach documentation to demonstrate the mechanism used to provide financial responsibility in accordance with federal rules - 40 CFR Part 280 Subpart H.

CHAPTER 3

INSURANCE/RISK RETENTION GROUP ENDORSEMENT/CERTIFICATE

WHAT IS IT?

✂ Risk Retention Group

The concept of insurance should be familiar to almost everyone. The term "Risk Retention Group", however, may not be. A risk retention group (RRG) functions much like an insurance company. The difference lies in the relationship of those insured to the "company." In a RRG, a group of entities (firms, school districts, individuals, non-profit organizations, etc.) get together to pool their common risk exposures. Risk exposures would be areas like property damage, third party liability, or any specific risk. The RRG method of protecting against loss is commonly used when the commercial insurance market is either not available or prohibitively expensive.

The RRG must be chartered in at least one state. In general, the insurance commissioners of states not chartering the group do not exercise as much control over risk retention groups as they do over insurance companies.

Each entity participating pays in an estimated amount of money, much like an insurance premium. The premiums are pooled and losses or claims paid from the pool. The relationship between the RRG and the participants is similar to that of the insurance company and policyholder. The RRG issues a contract like an insurance policy and often utilizes the term "policy".

✂ Endorsement

An Endorsement to an insurance policy is a change or clarification in coverage. It is not uncommon to find endorsements on standard policies. Virtually every homeowner's or private passenger automobile policy has endorsements. When an endorsement is added to a policy and the form broadens the coverage, an additional premium is charged. If it limits coverage, a credit is given.

The Financial Responsibility Endorsement below is to be attached to a liability insurance or a risk retention group policy. The form sets forth specific agreements of the company or RRG.

✂ Certificate of Insurance

A Certificate of Insurance is an evidence of insurance. It is not necessarily a full policy. It does set forth a summation of the coverage that is in force. It is common to issue Certificates to the insured prior to issuance of the actual policy. Certificates are often issued to other interested parties such as other entities in a contract or other relationship where one party counts on coverage procured by another party. The Certificate provides the evidence of coverage and the terms of that coverage.

WHO ISSUES IT?

Insurance policies are issued by insurance companies or RRGs. Insurance companies often use the owner or operator's insurance agent. In some cases the agent can issue the policy and often can issue Certificates.

RRG policies usually are issued by the group itself or a designated representative. Some RRGs will work through an insurance agent, but usually they deal directly with the owner or operator.

WHAT DOES IT COST?

Premiums for UST insurance, whether through a RRG or an insurance company, can vary widely. Underwriters are reluctant to cover systems that are over five years of age or where a full site assessment has not been conducted. As a rule, the newer the system and the higher the quality of leak detection, corrosion protection, spill prevention and overflow protection, the lower the cost. Another factor affecting cost is the deductible. Although the following forms do not provide for a deductible, one is contained in the policy or in a separate contract as an agreement between the insured and the insurer. If a release occurs, the insurer pays the full loss up to the policy limit and recovers the deductible from the insured. Deductibles commonly range from \$1,500 to \$50,000.

OTHER CONSIDERATIONS

If you would like to confirm the existence of a current policy, ask the tank owner/operator for a copy of the policy. If you would like confirmation that the policy is currently in force (e.g., premiums paid, etc.), contact the insurer or RRG directly.

REVIEW PROCESS

The wording of the Endorsement or the Certificate of Insurance must conform exactly to that shown on the next page, except for the information in brackets, which will be unique to each owner or operator.

NOTE: The chart format shown in the below sample document is for your ease of reviewing submitted documents. The actual submission may not contain the chart format. The requirement is for the information to be shown; the way it is shown is up to the preparer.

ENDORSEMENT AND CERTIFICATE OF INSURANCE
§ 280.97(b)(1) and (2)

Endorsement Name: _____

Address: *[address of each covered location]*

Policy Number: _____

Period of Coverage: *[current policy period]*

Name of Insurer or Risk Retention Group:

Address of Insurer or Risk Retention Group:

Name of Insured: _____

Address of Insured:

Endorsement:

- This endorsement certifies that the policy to which the endorsement is attached provides liability insurance covering the following underground storage tanks:

[List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22, or the corresponding state requirement, and the name and address of the facility.]

Facility Name and Address	Number of Tanks at Facility	Tank Identification Number

for _____
[insert: "taking corrective action" and/or
"compensating third parties for bodily injury and property damage"]

caused by _____
[insert: either "sudden accidental releases" or
"nonsudden accidental releases" or
"accidental release";

in accordance with and subject to the limits of liability, exclusions, conditions, and other terms of the policy;
if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location]

arising from operating the underground storage tank(s) identified above.

The limits of liability are

[insert the dollar amount of the "each occurrence" and "annual aggregate" limits of the Insurer's or Group's liability; if the amount of coverage is different for different types of coverage or for different underground storage tanks or locations, indicate the amount of coverage for each type of coverage and/or for each underground storage tank or location],

exclusive of legal defense costs, which are subject to a separate limit under the policy. This coverage is provided under

_____. The effective date of said policy is _____.
[policy number] [date]

2. The insurance afforded with respect to such occurrences is subject to all of the terms and conditions of the policy; provided, however, that any provisions inconsistent with subsections (a) through (e) of this Paragraph 2 are hereby amended to conform with subsections (a) through (e);

a. Bankruptcy or insolvency of the insured shall not relieve the _____ of its obligations under the policy to which this endorsement is attached.
["Insurer" or "Group"]

b. The _____ is liable for the payment of amounts
["Insurer" or "Group"]
within any deductible applicable to the policy to the provider of corrective action or a damaged third-party, with a right of reimbursement by the insured for any such payment made by the _____.

This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated under another mechanism or combination of mechanisms as specified in 40 CFR 280.95-280.102.

c. Whenever requested by _____, the
[a Director of an implementing agency]
_____ agrees to furnish to _____
["Insurer" or "Group"] [the Director]
a signed duplicate original of the policy and all endorsements.

d. Cancellation or any other termination of the insurance by the _____, except for non-payment of premium
["Insurer" or "Group"]
or misrepresentation by the insured, will be effective only upon written notice and only after the expiration of 60 days after a copy of such written notice is received by the insured. Cancellation for non-payment of premium or misrepresentation by the insured will be effective only upon written notice and only after expiration of a minimum of 10 days after a copy of such written notice is received by the insured.

[[Insert for claims-made policies:]

e. The insurance covers claims otherwise covered by the policy that are reported to the _____ within six months
["Insurer" or "Group"]

of the effective date of cancellation or non-renewal of the policy except where the new or renewed policy has the same retroactive date or a retroactive date earlier than that of the prior policy, and which arise out of any covered occurrence that commenced after the policy retroactive date, if applicable, and prior to such policy renewal or termination date. Claims reported during such extended reporting period are subject to the terms, conditions, limits, including limits of liability, and exclusions of the policy.]

I hereby certify that the wording of this instrument is identical to the wording in 40 CFR

280.97(b)(1) and that the _____ is
["Insurer" or "Group"]

[insert "licensed to transact the business of insurance" or "eligible to provide insurance as an excess or surplus lines insurer in one or more states"]

[Signature of authorized representative of Insurer or Risk Retention Group]

[Name of person signing]

[Title of person signing]

Authorized Representative of *[Name of Insurer or Risk Retention Group]*

[Address of Representative]

Certificate of Insurance:

Name *[name of each covered location]:*

Address *[address of each covered location]:*

Policy Number: _____

Endorsement *(if applicable):*

Period of Coverage *[current policy period]:*

Name of Insurer or Risk Retention Group:

Address of Insurer or Risk Retention Group:

Name of Insured: _____

Address of Insured:

Certification:

1. _____, the _____, as
[Name of Insurer or Risk Retention Group], ["Insurer" or "Group"]
 identified above, hereby certifies that it has issued liability insurance covering the following underground storage tank(s):

[List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22, or the corresponding state requirement, and the name and address of the facility.]

Facility Name and Address	Number of Tanks at Facility	Tank Identification Number

for _____
[insert: "taking corrective action" and/or "compensating third parties for bodily injury and property damage"
caused by _____
[insert: either "sudden accidental releases" or
"nonsudden accidental releases" or
"accidental releases";

in accordance with and subject to the limits of liability, exclusions, conditions, and other terms of the policy;
if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location]

arising from operating the underground storage tanks(s) identified above.
The limits of liability are \$ _____ each occurrence and \$ _____ annual aggregate
*[insert the dollar amount of "each occurrence" and "annual aggregate" limits of the Insurer's or Group's liability;
if the amount of coverage is different for different types of coverage or for different underground storage tanks or locations, indicate
the amount of coverage for each type of coverage and/or for each underground storage tank or location],*

exclusive of legal defense costs, which are subject to a separate limit under
the policy. This coverage is provided under _____. The effective date of said policy is _____.
[policy number] [date]

2. The _____ further certifies the following
["Insurer" or "Group"]
with respect to the insurance described in Paragraph 1:

- a. Bankruptcy or insolvency of the insured shall not relieve the _____
["Insurer" or "Group"]
of its obligations under the policy to which this certificate applies.
- b. The _____ is liable for the payment of amounts
["Insurer" or "Group"]
within any deductible applicable to the policy to the provider of corrective action or a damaged third party, with a right
of reimbursement by the insured for any such payment made by the _____. This
["Insurer" or "Group"]
provision does not apply with respect to that amount of any deductible for which coverage is demonstrated under another
mechanism or combination of mechanisms as specified in 40 CFR 280.95-280.102.
- c. Whenever requested by _____,
[a Director of an implementing agency]
the _____ agrees to furnish to _____
["Insurer" or "Group"] [the Director]
a signed duplicate original of the policy and all endorsements.
- d. Cancellation or any other termination of the insurance by the _____,
["Insurer" or "Group"]
except for non-payment of premium or misrepresentation by the insured, will be effective only upon written notice and
only after the expiration of 60 days after a copy of such written notice is received by the insured. Cancellation for
non-payment of premium or misrepresentation by the insured will be effective only upon written notice and only after
expiration of a minimum of 10 days after a copy of such written notice is received by the insured.

[Insert for claims-made policies:]

- e. The insurance covers claims otherwise covered by the policy that are reported
to the _____ within six months of the effective
["Insurer" or "Group"]

date of cancellation or non-renewal of the policy except where the new or renewed policy has the same retroactive date or a retroactive date earlier than that of the prior policy, and which arise out of any covered occurrence that commenced after the policy retroactive date, if applicable, and prior to such policy renewal or termination date.
Claims reported during such extended reporting period are subject to the terms, condition limits, including limits of liability, and exclusions of the policy.

I hereby certify that the wording of this instrument is identical to the wording in 40 CFR 280.97(b)(2) and that the _____ is _____
["Insurer" or "Group"]

["licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more states"].

[Signature of authorized representative of Insurer]

[Type name]

[Title]

Authorized Representative of

[Name of Insurer or Risk Retention Group]

[Address of Representative]

GUARANTEE

WHAT IS IT?

A guarantee is a promise by a third party (the guarantor) to fund a standby trust fund (see page 3-35) if so ordered by the Director of the implementing agency. The owner or operator remains primarily responsible for paying corrective action and third-party liability claims. The guarantor is required to make payments only after the owner or operator has failed to meet performance requirements.

WHO ISSUES IT?

A guarantee is issued by a third party with a significant business interest in the owner or operator. In allowing the guarantee mechanism, EPA anticipated that corporate "parents" and major suppliers could have enough of an interest to act as guarantors.

HOW MUCH DOES IT COST?

The costs of the guarantee are the costs of the ongoing business interests. Guarantors are not allowed to charge an explicit fee because such an arrangement would probably be considered insurance subject to state insurance regulations, but there may be other non-monetary "considerations," such as a specific volume of business.

OTHER CONSIDERATIONS

Some states may disallow guarantees by third parties other than corporate parents or affiliates on the basis that such arrangements constitute insurance. Check with your state's Attorney General's office if you are unsure of the policy in your state. Guarantors must themselves qualify for self-insurance using the financial test (see page 3-28). If the financial statements of the guarantor are consolidated with the financial statements of the owner or operator (that is, if the guarantor is the corporate parent of the owner or operator), the owner or operator may not use the financial test to self-insure for the remainder of the FR requirements.

The guarantee mechanism does not include provisions for repayment, although the owner or operator and the guarantor may have an agreement outside of the guarantee. Guarantees will probably be called only when/if the owner or operator is insolvent, so repayment is unlikely.

WHEN A GUARANTEE IS CALLED

If a leak is known or suspected, a guarantee may be called under the following circumstances:

- ✂ The owner or operator has entered bankruptcy or otherwise failed to meet his obligations.
- ✂ The guarantor has warned of forthcoming cancellation of the guarantee, and the owner or operator is unable to obtain an alternative mechanism.

The guarantor must then put the full value of the guarantee into the standby trust fund (see page 3-35), to be spent as specified by the Director of the implementing agency.

REVIEW PROCESS

Along with the Certificate of Financial Responsibility (see page 2-3 or page 2-4), owners and operators using a guarantee should have 3 forms:

- ✂ Letter from the guarantor's Chief Financial Officer. This letter is the same letter that owners/operators use to self-insure, except for references to a guarantee. See sample letter on page 3-28,
- ✂ Document evidencing the existence of a standby trust fund. See page 3-35, and
- ✂ Guarantee form completed by the guarantor. The language of the guarantee must conform exactly to that shown on the next page, except for the bracketed information which will be unique to each owner/operator.

Note: The sample form that appears below uses a chart format to make it easier for you to review. The actual submission may not contain the chart format. The requirement is for the information to be shown; the way it is shown is up to the preparer.

GUARANTEE
§ 280.96(c)

Guarantee made this _____ by _____,
[date] [name of guaranteeing entity]
 a business entity organized under the laws of the State of _____,
[name of state]
 herein referred to as guarantor, to _____
[the state implementing agency]
 and to any and all third parties, and obliges, on behalf of _____
[owner or operator]
 of _____.
[business address]

Recitals.

- (1) Guarantor meets or exceeds the financial test criteria of 40 CFR 280.95 (b) or (c) and (d) and agrees to comply with the requirements for guarantors as specified in 40 CFR 280.96(b).
- (2) _____ owns or operates the following
[Owner or operator]
 underground storage tank(s) covered by this guarantee:

[List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22 or the corresponding state requirement, and the name and address of the facility.]

Facility Name and Address	Number of Tanks at Facility	Tank Identification Number

This guarantee satisfies 40 CFR Part 280, Subpart H requirements for assuring funding for

_____ [insert: "taking corrective action" and/or "compensating third parties for bodily injury and property damage"]
 caused by _____
[insert: either "sudden accidental releases" or "nonsudden accidental releases" or "accidental releases";

if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location]

arising from operating the above-identified underground storage tank(s) in the amount of \$ _____ per occurrence and \$ _____ annual aggregate.
[insert dollar amount] [insert dollar amount]

- (3) _____
[Insert appropriate phrase: "On behalf of our subsidiary" (if guarantor is corporate parent of the owner or operator); "On behalf of our affiliate" (if guarantor is a related firm of the owner or operator); or "Incident to our business relationship with" (if guarantor is providing the guarantee as an incident to a substantial business relationship with owner or operator)]

_____ guarantor guarantees to
 _____ [owner or operator]
 _____ and to any and all third parties that:
 _____ [implementing agency]
 In the event that _____ fails to provide
 _____ [owner or operator]
 alternative coverage within 60 days after receipt of a notice of cancellation of this
 guarantee and the _____ has determined or
 _____ [Director of the implementing agency]
 suspects that a release has occurred at an underground storage tank covered by this
 guarantee, the guarantor, upon instructions from the _____
 _____ [Director]
 shall fund a stand-by trust fund in accordance with the provisions of 40 CFR 280.108,
 in an amount not to exceed the coverage limits specified above.
 In the event that _____ determines that _____ has
 _____ [Director] _____ [owner or operator]
 failed to perform corrective action for releases arising out of the operation of the
 above identified tank(s) in accordance with 40 CFR Part 280, Subpart F, the
 guarantor upon written instructions from the _____ shall fund a
 _____ [Director]
 standby trust in accordance with the provisions of 40 CFR 280.108, in an amount not
 to exceed the coverage limits specified above. If _____
 _____ [owner or operator]
 fails to satisfy a judgment or award based on a determination of liability for bodily
 injury or property damage to third parties caused by _____
 _____ ["sudden" and/or "nonsudden"]
 accidental releases arising from the operation of the above identified tank(s), or fails
 to pay an amount agreed to in settlement of a claim arising from or alleged to arise
 from such injury or damage, the guarantor, upon written instructions from the
 _____ shall fund a standby trust in accordance with the
 _____ [Director]
 provisions of 40 CFR 280.108 to satisfy such judgment(s), award(s), or settlement
 agreement(s) up to the limits of coverage specified above.

(4) Guarantor agrees that if, at the end of any fiscal year before cancellation of this
 guarantee, the guarantor fails to meet the financial test criteria of 40 CFR 280.95 (b)
 or (c) and (d), guarantor shall send within 120 days of such failure, by certified mail,
 notice to _____ . The guarantee will terminate 120
 _____ [owner or operator]
 days from the date of receipt of the notice by _____
 _____ [owner or operator]
 as evidenced by the return receipt.

(5) Guarantor agrees to notify _____ by certified mail
 _____ [owner or operator]
 of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code
 naming guarantor as debtor, within 10 days after commencement of the proceeding.

(6) Guarantor agrees to remain bound under this guarantee notwithstanding any
 modification or alteration of any obligation of _____
 _____ [owner or operator]
 pursuant to 40 CFR Part 280.

(7) Guarantor agrees to remain bound under this guarantee for so long as
 _____ must comply with the applicable financial
 _____ [owner or operator]
 responsibility requirements of 40 CFR Part 280, Subpart H for the above-identified
 tank(s), except that guarantor may cancel this guarantee by sending notice by certified
 mail to _____ such cancellation to become
 _____ [owner or operator]
 effective no earlier than 120 days after receipt of such notice by _____,
 _____ [owner or operator]
 as evidenced by the return receipt.

- (8) The guarantor's obligation does not apply to any of the following:
- (a) Any obligation of _____ under a workers' compensation, disability benefits, or unemployment compensation law or other similar law;
[insert owner or operator]
 - (b) Bodily injury to an employee of _____ arising from, and in the course of, employment by _____;
[insert owner or operator]
 - (c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;
 - (d) Property damage to any property owned, rented, loaned to, in the care, custody, or control of, or occupied by _____ that is not the direct result of a release from a petroleum underground storage tank;
[insert owner or operator]
 - (e) Bodily damage or property damage for which _____ is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR 280.93.
[insert owner or operator]

(9) Guarantor expressly waives notice of acceptance of this guarantee by _____, by any or all third parties, or by _____.
[the implementing agency] *[owner or operator]*

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR 280.96(c) as such regulations were constituted on the effective date shown immediately below.

Effective date: _____

[Name of guarantor]

[Authorized signature for guarantor]

[Name of person signing]

[Title of person signing]

Signature of witness or notary

LETTER OF CREDIT

WHAT IS IT?

A letter of credit is a contract between three parties:

- ✂ The issuer (normally a bank),
- ✂ The principal (e.g., an UST owner demonstrating financial responsibility), and
- ✂ The third party (e.g., an implementing agency).

By issuing a letter of credit, the issuer promises to pay a certain amount to the third party in the event that the principal fails to meet an obligation. As distinguished from a "line of credit," which is a loan that may be borrowed as needed by the principal, a letter of credit is "called" when a claim is made by the third party, rather than at the direction of the principal.

WHO ISSUES IT?

Banks typically issue letters of credit. Frequently, a bank will issue a letter of credit as one element of an on-going relationship with a client.

HOW MUCH DOES IT COST?

Costs range from about 1 to 15 percent of the face amount, with a typical charge of about 3 percent. Also, the principal may need to provide collateral up to the full amount of the letter of credit. For good customers, banks may not require collateral and may charge lower fees.

OTHER CONSIDERATIONS

Under banking regulations, letters of credit are counted as deposits of the issuing banks, and thus increase the reserve that the banks must set aside. This factor may limit a bank's willingness to issue letters of credit. Letters of credit also count as part of the total amount of credit extended to a company; if a company has outstanding lines of credit or loans, the amount of credit available for a letter of credit may be decreased.

WHEN A LETTER OF CREDIT IS CALLED

To "call" a letter of credit, the Director of the implementing agency must send the issuer a "sight draft" for the amount of the letter of credit, as well as a certification that the draft is being issued correctly. Sight drafts are similar to checks -- both order a bank to pay funds. The most important difference is that the person issuing a draft is not normally the owner of the money, whereas the issuer of a check is the owner. A *sight* draft requires that the money be paid upon presentation of the draft.

Letters of credit are extensions of credit by the bank. If the letter of credit is called, the principal must repay the letter of credit according to lending terms agreed to by the owner or operator and the bank. If the letter of credit is secured by collateral (e.g., a compensating balance equal to the amount of the letter of credit), the collateral may be forfeited.

Regardless of any repayment provisions, however, the issuer of the letter of credit must provide the funds as called for by the letter.

SPECIAL CONDITIONS

The issuing institution must be an entity that has the authority to issue letters of credit in each state where used and whose letter of credit operations are regulated and examined by a federal or state agency. Contact the issuer for verification of compliance with these requirements.

REVIEW PROCESS

As with the surety bond and the guarantee, a standby trust fund must be established. The wording for the standby trust agreement can be found on page 3-35.

The wording of the letter of credit must conform exactly to that shown on the next page, except for the information in brackets which will be unique to each owner or operator.

NOTE: The chart format shown in the below sample document is for your ease of reviewing the document. The actual document may not contain the chart format. The requirement is for the information to be shown; the way it is shown is up to the preparer.

LETTER OF CREDIT
§ 280.99(b)

IRREVOCABLE STANDBY LETTER OF CREDIT

[Name and address of issuing institution]

[Name and address of Director(s) of state implementing agency(ies)]

Dear Sir or Madam:

We hereby establish our Irrevocable Standby Letter of Credit No. _____ in your favor,
at the request and for the account of _____
[owner or operator name]

of _____
[address]

up to the aggregate amount of _____ U.S. dollars

\$ _____, available upon presentation _____
[insert dollar amount] [insert, if more than one Director of an implementing agency is a beneficiary, "by any one of you"]

of

- (1) Your sight draft, bearing reference to this letter of credit, No. _____, and
- (2) Your signed statement reading as follows: "I certify that the amount of the draft is payable pursuant to regulations issued under authority of Subtitle I of the Resource Conservation and Recovery Act of 1976, as amended."

This letter of credit may be drawn on to cover _____
[insert: "taking corrective action" and/or "compensating third parties for bodily injury and property damage"]

caused by _____
[insert: either "sudden accidental releases" or "nonsudden accidental releases" or "accidental releases"]

arising from operating the underground storage tank(s) identified below in the amount
of _____, \$ _____ per occurrence

and _____, \$ _____ annual aggregate:
[in words] [insert dollar amount]

[List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22, or the corresponding state requirement, and the name and address of the facility.]

Facility Name and Address	Number of Tanks at Facility	Tank Identification Number

The letter of credit may not be drawn on to cover any of the following:

- (a) Any obligation of _____
[insert owner or operator]
under a workers' compensation, disability benefits, or unemployment compensation law or other similar law;
- (b) Bodily injury to an employee of _____
[insert owner or operator]
arising from, and in the course of, employment by

[insert owner or operator];
- (c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;
- (d) Property damage to any property owned, rented, loaned to, in the care, custody, or control of, or occupied by _____
[insert owner or operator]
that is not the direct result of a release from a petroleum underground storage tank;
- (e) Bodily injury or property damage for which _____
[insert owner or operator]
is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR 280.93.

This letter of credit is effective as of _____ and shall expire on _____
[date] [date],

but such expiration date shall be automatically extended for a period of _____
_____ on _____

[at least the length of the original term] [expiration date]
and on each successive expiration date, unless, at least 120 days before the current expiration date, we notify _____

[owner or operator]
by certified mail that we have decided not to extend this letter of credit beyond the current expiration date. In the event that _____

[owner or operator]
is so notified, any unused portion of the credit shall be available upon presentation of your sight draft for 120 days after the date of receipt by _____,

[owner or operator]
as shown on the signed return receipt.

Whenever this letter of credit is drawn on under and in compliance with the terms of this credit, we shall duly honor such draft upon presentation to us, and we shall deposit the amount of the draft directly into the standby trust fund of _____

[owner or operator]
in accordance with your instructions. We certify that the wording of this letter of credit is identical to the wording specified in 40 CFR 280.99(b) as such regulations were constituted on the date shown immediately below.

[Signature(s) and title(s) of official(s) of issuing institution]

[Date]

This credit is subject to _____

[insert "the most recent edition of the Uniform Customs and Practice for Documentary Credits, published by the International Chamber of Commerce," or "the Uniform Commercial Code"]

SURETY BOND

WHAT IS IT?

A surety bond is a guarantee by a surety company that it will meet the obligations of the owner or operator, either by performing the necessary activities (such as performing corrective action) or by making payments.

A bail bond is a type of surety; the bondsman agrees to pay the bond amount if a person charged with a crime fails to appear in court. The use of a surety bond is similar to the use of a letter of credit (see page 3-13). The major differences are that surety bonds are:

- ✂ Issued by a licensed surety, rather than by a bank
- ✂ Generally issued to cover a lack of performance (e.g., failure to perform a cleanup), rather than default on financial obligation.

WHO ISSUES IT?

Surety bonds are issued by surety companies, many of which are insurance companies. Each July, the U.S. Department of the Treasury issues an annual publication, Circular 570, that lists eligible surety companies.

The surety company issuing the bond must be among those listed.

HOW MUCH DOES IT COST?

The typical cost is about 2 percent of surety amount, or "penal sum." For a \$1 million bond, the annual cost would be about \$20,000. The issuer may require collateral up to full value of surety.

OTHER CONSIDERATIONS

- ✂ Sureties prefer situations where events triggering surety and potential costs are well known.
- ✂ Use of surety bonds may be scarce because the noncancellation clauses limit the ability of sureties to escape from the contract if the owner or operator becomes financially weak, which is when the possibility of default by the owner and operator is highest.
- ✂ Because surety companies are often insurance companies, there is rarely the close business relationship that exists between companies and banks, possibly decreasing the availability of surety bonds as a financial assurance mechanism.

WHEN A SURETY BOND IS CALLED

The Director of the implementing agency calls a surety bond by demonstrating to the surety that the obligation has not been met, at which time the surety makes payments as called for in the surety agreement.

For UST FR, the agreement calls for immediate funding of a standby trust fund when the Director of the implementing agency determines that the obligation has not been met. Unlike insurance, the use of a surety does not transfer the obligation from the owner or operator to the surety. Instead, the owner or operator must repay any amount advanced under the surety. If the bond is secured by collateral

(e.g., property equal in value to the amount of the surety), the collateral may be forfeited.

REVIEW PROCESS

As with the guarantee and letter of credit, a standby trust fund (see page 3-35) is required in conjunction with a surety bond.

The wording of the surety bond must conform exactly to that shown on the next page, except for the information in brackets, which will be unique to each owner or operator.

NOTE: The chart format shown in the below sample document is for your ease of reviewing submitted documents. The actual submission may not contain the chart format. The requirement is for the information to be shown; the way it is shown is up to the preparer.

SURETY BOND

40 CFR 280.98(b)

Performance Bond: _____
 Date bond executed: _____
 Period of coverage: _____
 Principal: _____

[legal name and business address of owner or operator]

Type of organization: _____
[insert "individual," "joint venture," "partnership," or "corporation"]

State of incorporation (if applicable): _____

Surety(ies): _____
[name(s) and business address(es)]

Scope of Coverage:

[List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22, or the corresponding state requirement, and the name and address of the facility. List the coverage guaranteed by the bond: "taking corrective action" and/or "compensating third parties for bodily injury and property damage caused by" either "sudden accidental releases" or "nonsudden accidental releases" or "accidental releases" "arising from operating the underground storage tank"], operating the underground storage tank"].

Facility Name and Address	Number of Tanks at Facility	Tank Identification Number	Coverage

Penal sums of bond:
 Per occurrence: \$ _____
 Annual aggregate: \$ _____
 Surety's bond number: _____

Know All Persons by These Presents, that we, the Principal and Surety(ies), hereto are firmly bound to _____, in the above penal sums

[the implementing agency]

for the payment of which we bind ourselves, or heirs, executors, administrators, successors, and assigns jointly and severally; provided that, where the Surety(ies) are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sums jointly and severally only for the purpose of allowing a joint action or actions against any or all of us, and for all other purposes each Surety binds itself, jointly and severally with the Principal, for the payment of such sums only as is set forth opposite the name of such Surety, but if no limit of liability is indicated, the limit of liability shall be the full amount of the penal sums.

Whereas said Principal is required under Subtitle I of the Resource Conservation and Recovery Act (RCRA), as amended, to provide financial assurance for _____

_____ *[insert: "taking corrective action" and/or "compensating third parties for bodily injury and property damage"]* caused by _____; if coverage is

[insert: either "sudden accidental releases" or "nonsudden accidental releases" or "accidental releases"]

different for different tanks or locations, indicate the type of coverage applicable to each tank or location arising from operating the underground storage tanks identified above.

Whereas said Principal shall establish a standby trust fund as is required when a surety bond is used to provide such financial assurance;

Now, therefore, the conditions of the obligation are such that if the Principal shall faithfully

_____ ["take corrective action, in accordance with 40 CFR Part 280, Subpart F and the Director of the state implementing agency's instructions for," and/or "compensate injured third parties for bodily injury and property damage

caused by _____ accidental
[insert either "sudden" or "nonsudden" or "sudden and nonsudden"]

releases arising from operating the tank(s) identified above, or if the Principal shall provide alternate financial assurance, as specified in 40 CFR Part 280, Subpart H, within 120 days after the date the notice of cancellation is received by the Principal from the Surety(ies), then this obligation shall be null and void; otherwise it is to remain in full force and effect. Such obligation does not apply to any of the following:

- (a) Any obligation of _____
[insert owner or operator]
under a workers' compensation, disability benefits, or unemployment compensation law or other similar law;
- (b) Bodily injury to an employee of _____
[insert owner or operator]
arising from, and in the course of, employment by _____;
[insert owner or operator]
- (c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;
- (d) Property damage to any property owned, rented, loaned to, in the care, custody, or control of, or occupied by _____
[insert owner or operator] that is not the direct result of a release from a petroleum underground storage tank;
- (e) Bodily injury or property damage for which _____
[insert owner or operator]

is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR 280.93.

The Surety(ies) shall become liable on this bond obligation only when the Principal has failed to fulfill the conditions described above. Upon notification by _____
[the Director of the implementing agency]
that the Principal has failed to _____

_____ ["take corrective action, in accordance with 40 CFR Part 280, Subpart F and the Director's instructions," and/or "compensate injured third parties"] as guaranteed by this bond, the Surety(ies) shall either perform _____

_____ ["corrective action in accordance with 40 CFR Part 280 and the Director's instructions," and/or "third-party liability compensation"] or place funds in an amount up to the annual aggregate penal sum into the standby trust fund as directed by _____
[the Regional Administrator or the Director] under 40 CFR 280.108.

Upon notification by _____
[the Director] that the Principal has failed to provide

alternate financial assurance within 60 days after the date the notice of cancellation is received by the Principal from the Surety(ies) and that _____
[the Director] has determined or suspects

that a release has occurred, the Surety(ies) shall place funds in an amount not exceeding the annual aggregate penal sum into the standby trust fund as directed by [the Director] under 40 CFR 280.108. The Surety(ies) hereby waive(s) notification of amendments to applicable laws, statutes, rules, and regulations and agrees that no such amendment shall in any way alleviate its (their) obligation on this bond.

The liability of the Surety(ies) shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the annual aggregate to the penal sum shown on the face of the bond, but in no event shall the obligation of the Surety(ies) hereunder exceed the amount of said annual aggregate penal sum.

The Surety(ies) may cancel the bond by sending notice of cancellation by certified mail to the Principal, provided, however, that cancellation shall not occur during the 120 days beginning on the date of receipt of the notice of cancellation by the Principal, as evidenced by the return receipt.

The Principal may terminate this bond by sending written notice to the Surety(ies.)

In Witness Whereof, the Principal and Surety(ies) have executed this Bond and have affixed their seals on the date set forth above. The persons whose signatures appear below hereby certify that they are authorized to execute this surety bond on behalf of the Principal and Surety(ies) and that the wording of this surety bond is identical to the wording specified in 40 CFR 280.98(b) as such regulations were constituted on the date this bond was executed.

Principal

_____	_____
[Signature(s)]	[Signature(s)]
_____	_____
[Name(s)]	[Name(s)]
_____	_____
[Title(s)]	[Title(s)]

[Corporate seal]

Corporate Surety(ies)

[Name and address] _____

State of Incorporation: _____

[Liability limit:] \$ _____

[Signature(s)]: _____

[Name(s) and title(s)] _____

[Corporate seal]

[For every co-surety, provide signature(s), corporate seal, and other information in the same manner as for Surety above.]

Bond premium: \$ _____

FULLY FUNDED TRUST FUND

WHAT IS IT?

Under a fully funded trust fund, money for corrective action and third-party liability costs is held and administered by an impartial third party. The fully funded trust fund can be used to demonstrate financial responsibility for the full amount of financial assurance, or may be combined with other mechanisms (e.g., to demonstrate financial responsibility for the deductible amount of an insurance policy). Owners or operators using fully funded trust funds must provide the full amount of the assured costs. If the fund is the sole means of demonstrating financial responsibility, for example, they must provide the entire annual aggregate amount required to be assured (\$1 million or \$2 million). Placing the money in an independent trust fund prevents the money from either reverting to the U.S. or state treasury or being commingled with the other assets of the owner or operator. Consequently, the money is certain to be available to meet UST-related claims.

WHO ADMINISTERS IT?

Trust funds are administered by trust departments, typically of banks (see standby trust funds page 3-35). Trusts have specific terms for the parties to the contract:

- ✂ The owner or operator is the "grantor."
- ✂ The administrator of the trust is the "trustee."

The Director of the implementing agency acts as the beneficiary, in that he directs the distribution of funds from the trust. He is not a named beneficiary, however. He can only direct the use of the fund to pay eligible expenses or to refund unneeded money to the grantor.

HOW MUCH DOES IT COST?

Banks acting as trustees of funds typically impose annual administrative and maintenance charges of between 0.1 and 1 percent of the principal amount. The largest cost of a fully funded trust, however, is the opportunity cost of allocating the full amount of money in the trust. That is, the cost of raising funds to place in the trust usually exceeds the investment income of the trust. Under the terms of the trust, money in the trust must be invested but cannot be invested in the grantor's business. Thus, use of a trust funds limits the financial flexibility of the grantor.

OTHER CONSIDERATIONS

The bank or trustee assumes no risk. Instead, all money in the trust must be supplied by the grantor. Because the trustee assumes no risk, the fee is for administrative expenses only.

The trustee must invest the money held in the trust fund. If the size of the fund grows beyond the required amount of financial assurance, or if an alternate financial assurance mechanism is found to cover all or part of the amount assured by the fund, the owner or operator may request a release of the excess amount. The request must be granted within 60 days.

WHEN A TRUST FUND IS USED

Payments from the fund are directed by the implementing agency, which must determine which of the costs associated with a release are eligible for payment from the fund. As appropriate, the fund can reimburse either the grantor or third parties (e.g., corrective action contractors).

SPECIAL CONDITIONS

The trustee of a fully funded trust, as of a standby trust, must be an entity that has the authority to act as a trustee and whose trust operations are regulated and examined by a federal agency or an agency of the state in which the fund is established. Contact the issuer for verification of compliance with these requirements.

REVIEW PROCESS

The wording of the trust fund agreement must conform exactly to that shown on the next page, except for the information in brackets which will be unique to each owner or operator. This form was designed to do double duty. The same basic agreement, with some modification related to the intended end product, was to serve both the fully funded and the standby trust. Read carefully.

TRUST FUND
40 CFR 280.103(b)

Trust agreement, the "Agreement," entered into as of _____ by and between
[date]
_____, a _____,
[name of the owner or operator] [name of state] [insert "corporation,"
"partnership,"
"association," or
"proprietorship"]
the "Grantor," and _____, the "Trustee."
[name of corporate trustee] [insert "Incorporated in the state of _____" or "a national bank"]

Whereas, the United States Environmental Protection Agency, "EPA," an agency of the United States Government, has established certain regulations applicable to the Grantor, requiring that an owner or operator of an underground storage tank shall provide assurance that funds will be available when needed for corrective action and third-party compensation for bodily injury and property damage caused by sudden and nonsudden accidental releases arising from the operation of the underground storage tank.

Whereas, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this agreement, and the Trustee is willing to act as trustee;

Now, therefore, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

- (a) The term "Grantor" means the owner or operator who enters into this Agreement and any successors or assigns of the Grantor.
- (b) The term "Trustee" means the Trustee who enters into this Agreement and any successor Trustee.

Section 2. Establishment of Fund. The Grantor and the Trustee hereby establish a trust fund, the "Fund," for the benefit of _____.
[implementing agency]

The Grantor and the Trustee intend that no third party have access to the Fund except as herein provided. [The Fund is established initially as a standby to receive payments and shall not consist of any property.] Payments made by the provider of financial assurance pursuant to _____ instruction are

[the Director of the implementing agency's]
transferred to the Trustee and are referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount or adequacy of, nor any duty to collect from the Grantor as provider of financial assurance, any payments necessary to discharge any liability of the Grantor established by _____.
[the state implementing agency]

Section 3. Payment for ["Corrective Action" and/or "Third-Party Liability Claims"].
The Trustee shall make payments from the Fund as _____

[the Director of the implementing agency]
shall direct, in writing, to provide for the payment of the costs of _____
[insert: "taking corrective action" and/or
"compensating third parties for bodily injury and property damage"
caused by _____ arising from operating
[insert: either "sudden accidental releases" or
"nonsudden accidental releases" or
"accidental releases"]
the tanks covered by the financial assurance mechanism identified in this Agreement.

The Fund may not be drawn upon to cover any of the following:

- (a) Any obligation of _____
[insert owner or operator]
under a workers' compensation, disability benefits, or unemployment compensation law or other similar law;

- (b) Bodily injury to an employee of _____
[insert owner or operator]
arising from, and in the course of, employment by _____;
[insert owner or operator]
- (c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;
- (d) Property damage to any property owned, rented, loaned to, in the care, custody, or control of, or occupied by _____
[insert owner or operator]
that is not the direct result of a release from a petroleum underground storage tank;
- (e) Bodily injury or property damage for which _____ is obligated
[insert owner or operator]
to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR 280.93.

The Trustee shall reimburse the Grantor, or other persons as specified by _____,
[the Director]
from the Fund for corrective action expenditures and/or third-party liability claims in such amounts as _____ shall direct in writing. In addition, the Trustee shall
[the Director]
refund to the Grantor such amounts as _____ specifies in writing. Upon
[the Director]
refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 4. Payments Comprising the Fund. Payments made to the Trustee for the Fund shall consist of cash and securities acceptable to the Trustee.

Section 5. Trustee Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this Section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund solely in the interest of the beneficiaries and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

- (i) Securities or other obligations of the Grantor, or any other owner or operator of the tanks, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 U.S.C. 80a-2(a), shall not be acquired or held, unless they are securities or other obligations of the federal or a state government;
- (ii) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the federal or state government; and
- (iii) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 6. Commingling and Investment. The Trustee is expressly authorized in its discretion:

- (a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and
- (b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et seq., including one which may be created, managed, underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 7. Express Powers of Trustee. Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

- (a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;
- (b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;
- (c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;
- (d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the federal or state government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 8. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 9. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any questions arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 10. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 11. Successor Trustee. The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in writing sent to the Grantor and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 12. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are designated in the attached Schedule B or such other designees as the Grantor may designate by amendment to Schedule B. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. All orders, requests, and instructions

by _____ to the Trustee shall be in writing,

[the Director of the implementing agency]

signed by _____, and the Trustee shall act and shall be

[the Director]

fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or _____ hereunder has occurred.

[the Director]

The Trustee shall have no duty to act in the absence of such orders, requests,

and instructions from the Grantor and/or _____, except as provided for herein.

[the Director]

Section 13. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor and the Trustee, or by the Trustee and _____ if the Grantor ceases to exist.

[the Director of the implementing agency]

Section 14. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 14, this Trust shall be irrevocable and shall continue until terminated at the written direction of the Grantor and the Trustee, or by the Trustee and _____, if the Grantor ceases to exist.

[the Director of the implementing agency]

Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

Section 15. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor or _____ issued in accordance with this Agreement.

[the Director of the implementing agency]

The Trustee shall be indemnified and saved harmless by the Grantor, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 16. Choice of Law. This Agreement shall be administered, construed, and enforced according to the laws of the state of _____, or the Comptroller of the Currency in the case of National Association banks.

[insert name of state]

Section 17. Interpretation. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement.

In witness whereof the parties have caused this Agreement to be executed by their respective officers duly authorized and their corporate seals (if applicable) to be hereunto affixed and attested as of the date first above written. The parties below certify that the wording of this Agreement is identical to the wording specified in 40 CFR 280.103(b)(1) as such regulations were constituted on the date written above.

[Signature of Grantor]

[Name of the Grantor]

[Title]

Attest:

[Signature of Trustee]

[Name of the Trustee]

[Title]

[Seal]

Attest:

[Signature of Witness]

[Name of Witness]

[Title]

[Seal]

NOTE: The trust agreement, must be accompanied by a formal certification of acknowledgment similar to the following. State requirements may differ on the proper content of this acknowledgment.

State of _____
County of _____

On this _____, before me personally came _____
[date] [owner or operator]
to me known, who, being by me duly sworn, did depose and say that she/he resides
at _____, that
[address]
she/he is _____ of _____,
[title] [corporation]

the corporation described in and which executed the above instrument; that she/he knows the seal of said corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that she/he signed her/his name thereto by like order.

[Signature of Notary Public]

[Name of Notary Public]

**SELF-INSURANCE
LETTER FROM CHIEF FINANCIAL OFFICER
(ALSO USED FOR GUARANTEE)**

WHAT IS IT?

"Insurance" is a commonly used term, and the function of insurance companies is well recognized. Self-insurance differs substantially from insurance. An entity which self-insures holds the risk of loss or damage "in house". With insurance, the risk is assumed by another entity (insurance company or risk retention group) for a consideration commonly referred to as a "premium". The self-insurer keeps the risk and, in theory, sets aside some funds over time to pay losses or damages retained. The self-insurer also relies upon its financial strength to pay loss or damage not covered by the funds set aside.

WHO ISSUES IT?

Typically, the owner will complete the financial test and the certificate of financial responsibility.

HOW MUCH DOES IT COST?

The information required for completing the worksheet should be readily available to most businesses, so the only cost associated with this mechanism is the time spent preparing and signing the worksheet.

OTHER CONSIDERATIONS

To pass a financial test of self-insurance, an owner or operator must have at least \$10 million of "tangible net worth." Tangible net worth is an accounting term used to designate assets that are real and can be accurately valued. Such items as "good will" which sometimes appear in financial statements are not tangible and cannot be included in the \$10 million minimum requirement.

There are two alternatives available for passing the financial test. The requirements are contained in 40 CFR parts 280.95(b) and (c), and the Chief Financial Officer's letter (below) designates the separate tests as Alternative I and Alternative II.

Alternative I is for those that file financial statements with the U.S. Securities and Exchange Commission (SEC), the Energy Information Administration or the Rural Electrification Administration, or make filings of tangible net worth with Dun and Bradstreet for which D&B has assigned a strength rating of 4A or 5A. In addition to the minimum tangible net worth, the entity must have at least ten times the total of the required annual aggregate plus amounts self-insured under some hazardous waste and/or underground injection control requirements, if any. The Financial Test of Self Insurance contained in 40 CFR § 280.95 provides that assets pledged by an owner/operator/guarantor in meeting the test for underground storage tank (UST) exposures cannot be simultaneously pledged in support of self insurance under certain other enumerated EPA programs. Those other 40 CFR sections referenced in the UST rule are set forth below along with their references. The listing is numerical by subsection, not in the order of appearance in the EPA Rule.

Part 144: Underground Injection Control (UIC) Program

- Sub Part F: Financial Responsibility: Class I Hazardous Waste Injection Wells
 (49 Federal Register 20186, May 11, 1984, unless otherwise noted)
- Section 144.63: Financial Assurance for Plugging and Abandonment

Part 145: State UIC Program Requirements

**Part 165: Regulations for the Acceptance of Certain Pesticides and Recommended
 Procedures for the Disposal and Storage of Pesticides and Pesticides Containers**

- Section 165.145: This Section does not exist

**Part 264: Standards for Owners and Operators of Hazardous Waste Treatment, Storage,
 and Disposal Facilities**

- Sub Part F: Releases from Solid Waste Management Units
- Section 264.101: Corrective Action for Solid Waste Management Units (Note: Paragraph B
 is untitled)
- Sub Part H: Financial Requirements
- Section 264.143: Financial Assurance for Closure
- Section 264.145: Financial Assurance for Post-Closure Care
- Section 264.147: Liability Requirements

- Subsection (f): Financial Test for Liability Coverage

NOTE: Paragraph (1) is untitled

**Part 265: Interim Status Standards for Owners and Operators of Hazardous
 Waste Treatment, Storage, and Disposal Facilities**

- Sub Part H: Financial Requirements
- Section 265.143: Financial Assurance for Closure
- Section 265.145: Financial Assurance for Post-Closure Care
- Section 265.147: Liability Requirements

Part 271: Requirements for Authorization of State Hazardous Waste Programs

NOTE: Section 146.73 (set forth below) is not referenced in 280.95 although it concerns
 another FR requirement

Part 146: Underground Injection Control Program: Criteria and Standards

- Sub Part G: Criteria and Standards Applicable to Class I Hazardous Waste Injection
 Wells
- Section 146.73: Financial Responsibility for Post-Closure Care

Alternative II is for those who cannot meet Alternative I requirements, usually because of reporting and/or the D&B rating assigned. For instance, 4A and 5A are for manufacturers. A firm in the service industry, no matter how large the tangible net worth, cannot receive one of these ratings. Alternative II was also offered because some owners and operators have experience using this approach through other RCRA regulations and are comfortable using it.

Eligibility for Alternative II requires the entity to meet the financial requirements of 40 CFR § 264.147(f)(1). This subsection is set forth below:

- (f) Financial test for liability coverage.
 - (1) An owner or operator may satisfy the requirements of this section by demonstrating that he passes a financial test as specified in this paragraph. To pass this test the owner or operator must meet the criteria of paragraph (f)(1)(i) or (ii):

(i) The owner or operator must have:

- (A) Net working capital and tangible net worth each at least six times the amount of liability coverage to be demonstrated by this test; and
- (B) Tangible net worth of at least \$10 million; and
- (C) Assets in the United States amounting to either:
 - (1) at least 90 percent of his total assets; or
 - (2) at least six times the amount of liability coverage to be demonstrated by this test.

(ii) The owner or operator must have:

- (A) A current rating for his most recent bond issuance of AAA, AA, A, or BBB as issued by Standard and Poor's, or Aaa, Aa, A, or Baa as issued by Moody's; and
- (B) Tangible net worth of at least \$10 million; and
- (C) Tangible net worth at least six times the amount of liability coverage to be demonstrated by this test; and
- (D) Assets in the United States amounting to either: (1) at least 90 percent of his total assets; or (2) at least six times the amount of liability coverage to be demonstrated by this test."

REVIEW PROCESS

When the financial test is used with the guarantee, a standby trust agreement is required. The wording for the guarantee and standby trust are found on pages 3-8 and 3-35, respectively.

The wording of the Letter from Chief Financial Officer and the Financial Test of Self-Insurance must conform exactly to that shown on the next page, except for the information in brackets which will be unique to each owner or operator and, of course, the purpose (Self-Insurance or Guarantee).

SPECIAL CONSIDERATIONS

The Chief Financial Officer of the owner or operator, or guarantor, must sign the Letter within 120 days of the close of each financial reporting year, as defined by the twelve-month period for which financial statements used to support the financial test are prepared. If financial statements are included with the required documents and are reviewed, be certain the period of the statements coincides with the 120-day allowance.

The Chief Financial Officer may have a variety of titles, such as Comptroller, Vice President for Finance, Treasurer, etc. The wording of the opening sentence in the sample letter which follows must *not* change based upon the signer's actual title.

If you would like to confirm the numbers presented in the financial test, ask the company official for a copy of the financial statements and to point out the section (usually the Balance Sheet) where the financial numbers are located.

NOTE: The chart format shown in the below sample document is for your ease of reviewing submitted documents. The actual submission may not contain the chart format. The requirement is for the information to be shown; the way it is shown is up to the preparer.

LETTER FROM CHIEF FINANCIAL OFFICER
§ 280.95(d)

I am the chief financial officer of _____
[insert: name and address of the owner or operator, or guarantor]

This letter is in support of the use of _____
[insert: "the financial test of self-insurance," and/or "guarantee"]

to demonstrate financial responsibility for _____
[insert: "taking corrective action" and/or "compensating third parties for bodily injury and property damage"]

caused by _____
[insert: "sudden accidental releases" and/or "nonsudden accidental releases"]

in the amount of at least _____ per occurrence
[insert: dollar amount]

and _____ annual aggregate arising
[insert: dollar amount]

from operating (an) underground storage tank(s).

Underground storage tanks at the following facilities are assured by this financial test or a financial test under an authorized State program by this _____:
[insert: "owner or operator," and/or "guarantor"]

[List for each facility: the name and address of the facility where tanks assured by this financial test are located, and whether tanks are assured by this financial test or a financial test under a State program approved under 40 CFR Part 281. If separate mechanisms or combinations of mechanisms are being used to assure any of the tanks at this facility, list each tank assured by this financial test or a financial test under a State program authorized under 40 CFR Part 281 by the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22 or the corresponding State requirements.]

Name and Address of Facility	Tank Identification Number	Financial Mechanism

A _____ is also used by this
[insert: "financial test," and/or "guarantee"]
to demonstrate evidence of financial responsibility

[insert: "owner or operator," or guarantor"]
in the following amounts under other EPA regulations or state programs authorized by EPA under 40 CFR Parts 271 and 145:

EPA Regulations	Amount
Closure (§§ 264.143 and 265.143)	\$ _____
Post-Closure Care (§§ 264.145 and 265.145)	\$ _____
Liability Coverage (§§ 264.147 and 265.147)	\$ _____
Corrective Action (§§ 264.101(b))	\$ _____
Plugging and Abandonment (§ 144.63)	\$ _____
Closure	\$ _____
Post-Closure Care	\$ _____
Liability Coverage	\$ _____
Corrective Action	\$ _____
Plugging and Abandonment	\$ _____
Total	\$ _____

This _____
[insert: "owner or operator," or "guarantor"]

has not received an adverse opinion, a disclaimer of opinion, or a "going concern" qualification from an independent auditor on his financial statements for the latest completed fiscal year.

[Fill in the information for Alternative I if the criteria of paragraph (b) of § 280.95 are being used to demonstrate compliance with the financial test requirements. Fill in the information for Alternative II if the criteria of paragraph (c) of § 280.95 are being used to demonstrate compliance with the financial test requirements.]

Alternative I

- 1. Amount of annual UST aggregate coverage being assured by a financial test, and/or guarantee \$ _____
- 2. Amount of corrective action, closure and post-closure care costs, liability coverage, and plugging and abandonment costs covered by a financial test, and/or guarantee \$ _____
- 3. Sum of lines 1 and 2 \$ _____
- 4. Total tangible assets \$ _____
- 5. Total liabilities
[If any of the amount reported on line 3 is included in total liabilities, you may deduct that amount from this line and add that amount to line 6]. \$ _____
- 6. Tangible net worth [subtract line 5 from line 4] \$ _____

Yes No

- 7. Is line 6 at least \$10 million? _____
- 8. Is line 6 at least 10 times line 3? _____
- 9. Have financial statements for the latest fiscal year been filed with the Securities Exchange Commission? _____
- 10. Have financial statements for the latest fiscal year been filed with the Energy Information Administration? _____
- 11. Have financial statements for the latest fiscal year been filed with the Rural Electrification Administration? _____
- 12. Has financial information been provided to Dun and Bradstreet, and has Dun and Bradstreet provided a financial strength rating of 4A/5A? [Answer "Yes" only if both criteria have been met] _____

Alternative II

- 1. Amount of annual UST aggregate coverage being assured by a test, and/or guarantee \$ _____
- 2. Amount of corrective action, closure and post-closure care costs, liability coverage, and plugging and abandonment costs covered by a financial test, and or guarantee \$ _____
- 3. Sum of lines 1 and 2 \$ _____
- 4. Total tangible assets \$ _____
- 5. Total liabilities
[If any of the amount reported on line 3 is included in total liabilities, you may deduct that amount from this line and add that amount to line 6] \$ _____
- 6. Tangible net worth [subtract line 5 from line 4] \$ _____

7. Total assets in the U.S.
[Required only if less than 90 percent of assets are located in the U.S.] \$ _____

- Yes No
8. Is line 6 at least \$10 million? _____
9. Is line 6 at least 6 times line 3? _____
10. Are at least 90 percent of assets located in the U.S.?
[If "No," complete line 11.] _____
11. Is line 7 at least 6 times line 3? _____

[Fill in either lines 12-15 or lines 16-18:]

12. Current assets \$ _____
13. Current liabilities \$ _____
14. Net working capital [subtract line 13 from line 12] \$ _____

- Yes No
15. Is line 14 at least 6 times line 3? _____
16. Current bond rating of most recent bond issue? _____
17. Name of rating service _____
18. Date of maturity of bond _____

- Yes No
19. Have financial statements for the latest fiscal year been filed
with the SEC, the Energy Information Administration, or the
Rural Electrification Administration? _____

[If "No," please attach a report from an independent certified public accountant
certifying that there are no material differences between the data as reported
in lines 4-18 above and the financial statements for the latest fiscal year.]

[For both Alternative I and Alternative II complete the certification with this statement.]

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR Part 280.95(d) as such regulations were constituted on the date shown immediately below.

[Signature]

[Name]

[Title]

[Date]

STANDBY TRUST FUND

WHAT IS IT?

A standby trust is a means by which the funds for corrective action and third-party liability are administered by an impartial third party. A standby trust cannot be used alone as a financial responsibility mechanism, but must be combined with another third-party mechanism (e.g., letter of credit, guarantee, or surety) that will be used to fund the trust. Because the money in the standby trust fund is not held by the U.S. Government or by a state, it cannot revert to the U.S. or state treasury. Because the money is not held by the (possibly bankrupt) owner or operator, it is certain to be available to meet UST-related claims.

WHO ISSUES IT?

Standby trust funds are administered by trust departments, typically of banks. The "trustee" is a third party whose obligation is to ensure that money in the trust is spent in accordance with the terms of the trust; the trustee's obligations are to the trust rather than to the principal. Trusts have specific terms for the parties to the contract:

- ✂ The owner or operator is the "grantor."
- ✂ The administrator of the trust is the "trustee."

The Director of the implementing agency acts as the beneficiary, in that he/she directs the distribution of funds from the trust. He/she is not a named beneficiary, however, and can only direct the use of the fund to pay eligible expenses or to refund any unneeded money to the grantor.

HOW MUCH DOES IT COST?

Banks typically charge between 0.1 and 1 percent of the principal amount annually to administer a trust fund. Prior to funding the trust, the bank will likely charge a fixed fee to keep the trust active. The bank or trustee does not assume any risk. Instead, all money in the trust must be supplied by the provider of financial assurance (e.g., the issuer of a letter of credit). Because the bank assumes no risk, the fee is for administrative expenses only.

WHEN IS A STANDBY TRUST USED?

Standby trust funds are funded when other third-party financial assurance mechanisms are called upon because the responsible party can not or will not respond to clean up the release. No money will be in the fund until the owner or operator fails to meet his corrective action or third-party obligations. If the owner or operator fails to perform, the Director of the implementing agency notifies the guarantor, surety, or bank issuing the letter of credit of the amount to be placed into the trust fund, up to the entire amount of the guarantee, surety bond, or letter of credit. Payments from the fund are directed by the implementing agency, which must determine which of the costs associated with a release are covered by the financial responsibility requirements. As appropriate, the fund can reimburse either the owner or operator (the grantor) or third parties (e.g., corrective action contractors). When all corrective action and

third-party expenses have been paid, the fund may be dissolved. Any money remaining in the fund is distributed to the grantor. The standby trust is the document required to accompany a guarantee, surety bond, letter of credit or local government guarantee and is the instrument which makes these mechanisms functional.

REVIEW PROCESS

The wording of the Standby Trust Fund must conform exactly to that shown on the next page, except for the information in brackets which will be unique to each owner or operator. This form was designed to do double duty. The same basic trust, with some modification related to the intended end product, serves both the standby and the fully funded trust. Read carefully.

SPECIAL CONDITIONS

The trustee of the standby trust fund must be an entity that has the authority to act as a trustee and whose trust operations are regulated and examined by a federal agency or an agency of the state in which the fund is established. Contact the issuer for verification of compliance with these requirements.

STANDBY TRUST FUND
40 CFR 280.103(b)

Trust agreement, the "Agreement," entered into as of _____ by and between _____, a _____, the "Grantor," and _____, the "Trustee."

[date]

[name of the owner or operator], a [name of state] [insert "corporation," "partnership," "association," or "proprietorship"]

[name of corporate trustee], [insert "Incorporated in the state of _____" or "a national bank"]

Whereas, the United States Environmental Protection Agency, "EPA," an agency of the United States Government, has established certain regulations applicable to the Grantor, requiring that an owner or operator of an underground storage tank shall provide assurance that funds will be available when needed for corrective action and third-party compensation for bodily injury and property damage caused by sudden and nonsudden accidental releases arising from the operation of the underground storage tank. The attached Schedule A lists the number of tanks at each facility and the name(s) and address(s) of the facility(ies) where the tanks are located that are covered by the standby trust agreement.

[Whereas, the Grantor has elected to establish _____ [insert either "a guarantee," "surety bond," or "letter of credit"] to provide all or part of such financial assurance for the underground storage tanks identified herein and is required to establish a standby trust fund able to accept payments from the instrument (This paragraph is only applicable to the standby trust agreement.);]

Whereas, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this agreement, and the Trustee is willing to act as trustee;

Now, therefore, the Grantor and the Trustee agree as follows:

Section 1. Definitions. As used in this Agreement:

- (a) The term "Grantor" means the owner or operator who enters into this Agreement and any successors or assigns of the Grantor.
- (b) The term "Trustee" means the Trustee who enters into this Agreement and any successor Trustee.

Section 2. Identification of the Financial Assurance Mechanism. This Agreement pertains to the _____ [identify the financial assurance mechanism, either a guarantee, surety bond, or letter of credit, from which the standby trust fund is established to receive payments. (This paragraph is only applicable to the standby trust agreement..)].

Section 3. Establishment of Fund. The Grantor and the Trustee hereby establish a trust fund, the "Fund," for the benefit of _____ [implementing agency].

The Grantor and the Trustee intend that no third party have access to the Fund except as herein provided. [The Fund is established initially as a standby to receive payments and shall not consist of any property.] Payments made by the provider of financial assurance pursuant to _____ instruction are [the Director of the implementing agency's] transferred to the Trustee and are referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount or adequacy of, nor any duty to collect from the Grantor as provider of financial assurance, any payments necessary to discharge any liability of the Grantor established by _____ [the state implementing agency].

Section 4. Payment for ["Corrective Action" and/or "Third-Party Liability Claims"].

The Trustee shall make payments from the Fund as _____ [the Director of the implementing agency] shall direct, in writing, to provide for the payment of the costs of _____ [insert: "taking corrective action" and/or "compensating third parties for bodily injury and property damage" caused by _____ [insert: either "sudden accidental releases" or "nonsudden accidental releases" or "accidental releases"] arising from operating

the tanks covered by the financial assurance mechanism identified in this Agreement.

The Fund may not be drawn upon to cover any of the following:

- (a) Any obligation of _____
[insert owner or operator]
under a workers' compensation, disability benefits, or unemployment compensation law or other similar law;
- (b) Bodily injury to an employee of _____
[insert owner or operator]
arising from, and in the course of, employment by _____;
[insert owner or operator]
- (c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;
- (d) Property damage to any property owned, rented, loaned to, in the care, custody, or control of, or occupied by _____
[insert owner or operator]
that is not the direct result of a release from a petroleum underground storage tank;
- (e) Bodily injury or property damage for which _____ is obligated to pay damages
[insert owner or operator]
by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR 280.93.

The Trustee shall reimburse the Grantor, or other persons as specified by _____,
[the Director]
from the Fund for corrective action expenditures and/or third-party liability claims in such amounts as _____ shall direct in writing. In addition, the Trustee shall
[the Director]
refund to the Grantor such amounts as _____ specifies in writing. Upon
[the Director]
refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 5. Payments Comprising the Fund. Payments made to the Trustee for the Fund shall consist of cash and securities acceptable to the Trustee.

Section 6. Trustee Management. The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this Section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund solely in the interest of the beneficiaries and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

- (i) Securities or other obligations of the Grantor, or any other owner or operator of the tanks, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 U.S.C. 80a-2(a), shall not be acquired or held, unless they are securities or other obligations of the federal or a state government;
- (ii) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the federal or state government; and
- (iii) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. Commingling and Investment. The Trustee is expressly authorized in its discretion:

- (a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and
- (b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et seq., including one which may be created, managed, underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee. Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

- (a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or other disposition;
- (b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;
- (c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;
- (d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the federal or state government; and
- (e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses. All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Advice of Counsel. The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any questions arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 11. Trustee Compensation. The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 12. Successor Trustee. The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in writing sent to the Grantor and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 13. Instructions to the Trustee. All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are designated in the attached Schedule B or such other designees as the Grantor may designate by amendment to Schedule B. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions.

All orders, requests, and instructions

by _____ to the Trustee shall be in writing,

[the Director of the implementing agency]

signed by _____, and the Trustee shall act and shall be

[the Director]

fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or _____ hereunder has occurred.

[the Director]

The Trustee shall have no duty to act in the absence of such orders, requests,

and instructions from the Grantor and/or _____, except as provided for herein.

[the Director]

Section 14. Amendment of Agreement. This Agreement may be amended by an instrument in writing executed by the Grantor and the Trustee, or by the Trustee and _____ if the Grantor ceases to exist.

[the Director of the implementing agency]

Section 15. Irrevocability and Termination. Subject to the right of the parties to amend this Agreement as provided in Section 14, this Trust shall be irrevocable and shall continue until terminated at the written direction of the Grantor and the Trustee, or by the Trustee and _____, if the Grantor ceases to exist.

[the Director of the implementing agency]

Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

Section 16. Immunity and Indemnification. The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor or _____
_____ issued in accordance with this Agreement.
[the Director of the implementing agency]

The Trustee shall be indemnified and saved harmless by the Grantor, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 17. Choice of Law. This Agreement shall be administered, construed, and enforced according to the laws of the state of _____, or the Comptroller of the Currency in the case of National Association banks.
[insert name of state]

Section 18. Interpretation. As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement.

In witness whereof the parties have caused this Agreement to be executed by their respective officers duly authorized and their corporate seals (if applicable) to be hereunto affixed and attested as of the date first above written. The parties below certify that the wording of this Agreement is identical to the wording specified in 40 CFR 280.103(b)(1) as such regulations were constituted on the date written above.

[Signature of Grantor]

[Name of the Grantor]

[Title]

Attest:

[Signature of Trustee]

[Name of the Trustee]

[Title]

[Seal]

Attest:

[Signature of Witness]

[Name of Witness]

[Title]

[Seal]

CHAPTER 4

BOND RATING TEST

WHAT IS IT?

The bond rating test allows local government entities to use existing bond ratings as a means of complying with the financial responsibility requirements. To qualify, local governments must have one million dollars or more of total outstanding issues of general obligation bonds with investment-grade ratings, and non-general purpose local governments (e.g., special district and school districts) must have \$1 million or more of investment-grade revenue bonds if they do not have the authority to issue general obligation bonds. General obligation bonds that are enhanced by bond insurance can be used for meeting the bond-rating test; revenue bonds that are backed by any type of credit enhancement mechanism cannot be used for this purpose.

WHO ISSUES IT?

For purposes of meeting the financial responsibility requirements, investment grade bonds are considered to include bonds rated Aaa, Aa, A, and Baa by Moody's or AAA, AA, A, and BBB by Standard and Poor's.

HOW MUCH DOES IT COST?

Since obtaining a rating is an integral part of issuing bonds, there is no additional cost to a local government in using this test.

REVIEW PROCESS

When the bond rating test is used, the local government entity must maintain a copy of its bond rating provided by Moody's or Standard & Poor's. If you would like to confirm the bond ratings, contact the rating agency directly. The address should be on the bond rating sheet.

The Chief Financial Officer may have a variety of titles: Comptroller, Vice President of Finance, Treasurer, Controller, etc.

The Chief Financial Officer must sign a letter worded exactly as on the next page, except that the instructions in brackets are to be replaced by the relevant information and the brackets deleted.

Note: The chart format in the below sample document is for your ease of reviewing the required document. The actual document may not contain the chart format. The requirement is for the information to be shown; the way it is shown is up to the preparer.

LETTER FROM CHIEF FINANCIAL OFFICER
40 CFR 280.104(d) and (e)

I am the chief financial officer of _____
[insert: name and address of local government owner or operator, or guarantor].
This letter is in support of the use of the bond rating test to demonstrate responsibility for

_____ [insert: "taking corrective action" and/or "compensating third parties for bodily injury and property damage"]
caused by _____ in the amount of at least
_____ [insert: "sudden accidental releases"]
_____ annual aggregate arising from operating (an) underground storage tank(s).
[insert: dollar amount]

Underground storage tanks at the following facilities are assured by this bond rating test:
[List for each facility: the name and address of the facility where tanks are assured by the bond rating test].

The details of the issue date, maturity, outstanding amount, bond rating, and bond rating agency of all outstanding bond issues that are being used by [name of local government owner or operator, or guarantor] to demonstrate financial responsibility are as follows:

Issue Date	Maturity Date	Outstanding Amount	Bond Rating	Rating Agency

Note: The following paragraphs must be used if general obligation bonds are used to pass the bond rating test.

The total outstanding obligation of _____, excluding refunded bond issues,
[insert: amount]
exceeds the minimum amount of \$1 million. All outstanding general obligation bonds issued by this government that have been rated by Moody's or Standard & Poor's are rated as at least investment grade (Moody's Baa or Standard & Poor's BBB) based on the most recent ratings published within the last 12 months. Neither rating service has provided notification within the last 12 months of downgrading of bond ratings below investment grade or of withdrawal of bond rating other than for repayment of outstanding bond issues.

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR Part 280.104(d) as such regulations were constituted on the date shown immediately below.

[Date] _____
[Signature] _____
[Name] _____
[Title] _____

Note: The following paragraphs must be used by the chief financial officer of local government owner or operator and/or guarantor other than a general purpose government using revenue bonds to pass the bond rating test:

The total outstanding obligation of _____, excluding refunded bond issues,
[insert: amount]
exceeds the minimum amount of \$1 million. All outstanding revenue bonds issued by this government that have been rated by Moody's or Standard & Poor's are rated as at least investment grade (Moody's Baa or Standard & Poor's BBB) based on the most recent ratings published within the last 12 months. The revenue bonds listed are not backed by third-party credit enhancements or are insured by a municipal bond insurance company. Neither rating service has provided notification within the last 12 months of downgrading of bond ratings below investment grade or of withdrawal of bond rating other than for repayment of outstanding bond issues.

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR Part 280.104(e) as such regulations were constituted on the date shown immediately below.

[Date] _____
[Signature] _____
[Name] _____
[Title] _____

LOCAL GOVERNMENT FINANCIAL TEST

WHAT IS IT?

A local government owner or operator may demonstrate compliance with the financial responsibility requirements by passing the local government financial test as described in 40 CFR 280.105. To be eligible to use the financial test, the owner or operator must have the ability and authority to assess and levy taxes or to freely establish fees and charges.

WHO ISSUES IT?

The local government using the financial test will fill out the worksheet as described in the regulation and issue its own letter of compliance signed by the Chief Financial Officer. The Chief Financial Officer may have a title such as Comptroller, Treasurer, Controller, etc.

HOW MUCH DOES IT COST?

Since the information required for completing the worksheet should already exist in the local government's year-end financial reports, the only additional cost would be for the time spent in preparing the worksheet and preparing and signing the letter of compliance.

OTHER CONSIDERATIONS

Passing the financial test requires the local government to meet three criteria:

- ✂ The local government's year-end financial statements, if independently audited, cannot include an auditor's adverse opinion or a disclaimer of opinion.
- ✂ The local government cannot have outstanding issues of general obligation or revenue bonds that are rated less than investment grade. Investment grade bonds are those that have a Moody's rating of Aaa, Aa, A, or Baa or a Standard & Poor's rating of AAA, AA, A, or BBB.
- ✂ The local government owner or operator must have a letter signed by the Chief Financial Officer worded as specified below.

If you wish to check the figures used in Part I of the Worksheet, ask a local government official to produce the latest official twelve-month financial statement of the local government. That official should be able to walk you through the statement and point out the numbers.

REVIEW

To demonstrate that the local government owner/operator meets the financial test, its Chief Financial Officer, must sign, within 120 days of the close of each financial reporting year as defined by the twelve-month period for which financial statements used to support the financial test are prepared, a letter worded exactly as on the next page. The instructions in brackets, however, are to be replaced by the relevant information and the brackets deleted.

Note: The format shown in the below sample document is for your ease of reviewing the Chief Financial Officer letter. The requirement is for the information to be shown; the way it is shown is up to the preparer.

LETTER FROM CHIEF FINANCIAL OFFICER
40 CFR 280.105(c)

I am the chief financial officer of _____.
[insert: name and address of the owner or operator]

This letter is in support of the use of the local government financial test to demonstrate financial responsibility for _____
[insert: "taking corrective action" and/or "compensating third parties for bodily injury and property damage"]
caused by _____
[insert: "sudden accidental releases" and/or "nonsudden accidental releases"]
in the amount of at least _____ per occurrence and _____
[insert: dollar amount] [insert: dollar amount]
annual aggregate arising from operating [an] underground storage tank[s].

Underground storage tanks at the following facilities are assured by this financial test.

[List for each facility: the name and address of the facility where tanks assured by this financial test are located. If separate mechanisms or combinations of mechanisms are being used to assure any of the tanks at this facility, list each tank assured by this financial test by the tank identification number provided in the notification submitted pursuant to 40 CFR Part 280.22 or the corresponding state requirements.]

This owner or operator has not received an adverse opinion, or a disclaimer of opinion from an independent auditor on its financial statements for the latest completed fiscal year. Any outstanding issues of general obligation or revenue bonds, if rated, have a Moody's rating of Aaa, Aa, A, or Baa or a Standard & Poor's rating of AAA, AA, A, or BBB; if rated by both firms, the bonds have a Moody's rating of Aaa, Aa, A, or Baa and a Standard & Poor's rating of AAA, AA, A, or BBB.

Worksheet for Financial Test

Part I: Basic Information

1. Total Revenues

- a. Revenues (dollars) _____
(Value of revenues excludes liquidation of investments and issuance of debt. Value includes all general fund operating and non-operating revenues, as well as all revenues from all other governmental funds including enterprise, debt service, capital projects, and special revenues, but excluding revenues to funds held in a trust or agency capacity.)
- b. Subtract interfund transfers (dollars) _____
- c. Total Revenues (dollars) _____

2. Total Expenditures

- a. Expenditures (dollars) _____
(Value consists of the sum of general fund operating and non-operating expenditures including interest payments on debt, payments for retirement of debt principal, and total expenditures from all other governmental funds including enterprise, debt service, capital projects, and special revenues.)
- b. Subtract interfund transfers (dollars) _____
- c. Total Expenditures (dollars) _____

3. Local Revenues

- a. Total Revenues (dollars)(from 1c) _____
- b. Subtract total intergovernmental transfers _____
- c. Local Revenues (dollars) _____

4. Debt Service

- a. Interest and fiscal charges (dollars) _____
- b. Add debt retirement (dollars) _____
- c. Total Debt Service (dollars) _____

5. Total Funds (dollars) _____

(Sum of amounts held as cash and investment securities from all funds, excluding amounts held for employee retirement funds, agency funds, and trust funds.)

6. Population (Persons) _____

Part II: Application of Test

7. Total Revenues to Population

- a. Total Revenues (from 1c) _____
- b. Population (from 6) _____
- c. Divide 7a by 7b _____
- d. Subtract 417 _____
- e. Divide by 5,212 _____
- f. Multiply by 4.095 _____

8. Total Expenses to Population

- a. Total Expenses (from 2c) _____
- b. Population (from 6) _____
- c. Divide 8a by 8b _____
- d. Subtract 524 _____
- e. Divide by 5,401 _____
- f. Multiply by 4.095 _____

9. Local Revenues to Total Revenues

- a. Local Revenues (from 3c) _____
- b. Total Revenues (from 1c) _____
- c. Divide 9a by 9b _____
- d. Subtract 0.695 _____
- e. Divide by 0.205 _____
- f. Multiply by 2.840 _____

10. Debt Service to Population

- a. Debt Service (from 4c) _____
- b. Population (from 6) _____
- c. Divide 10a by 10b _____
- d. Subtract 51 _____
- e. Divide by 1,038 _____
- f. Multiply by -1.866 _____

11. Debt Service to Total Revenues

- a. Debt Service (from 4c) _____
- b. Total Revenues (from 2c) _____
- c. Divide 11a by 11b _____
- d. Subtract 0.068 _____
- e. Divide by 0.259 _____
- f. Multiply by -3.533 _____

12. Total Revenues to Total Expenses

- a. Total Revenues (from 1c) _____
- b. Total Expenses (from 2c) _____
- c. Divide 12a by 12b _____
- d. Subtract 0.910 _____
- e. Divide by 0.899 _____
- f. Multiply by 3.458 _____

13. Funds Balance to Total Revenues
- a. Total Funds (from 5) _____
 - b. Total Revenues (from 1c) _____
 - c. Divide 13a by 13b _____
 - d. Subtract 0.891 _____
 - e. Divide by 9.156 _____
 - f. Multiply by 3.270 _____
14. Funds Balance to Total Expenses
- a. Total Funds (from 5) _____
 - b. Total Expenses (from 2c) _____
 - c. Divide 14a by 14b _____
 - d. Subtract 0.866 _____
 - e. Divide by 6.409 _____
 - f. Multiply by 3.270 _____
15. Total Funds to Population
- a. Total Funds (from 5) _____
 - b. Population (from 6) _____
 - c. Divide 15a by 15b _____
 - d. Subtract 270 _____
 - e. Divide by 4,548 _____
 - f. Multiply by 1.866 _____
16. $7f + 8f + 9f + 10f + 11f + 12f + 13f + 14f + 15f + 4.937$ _____

I hereby certify that the financial index shown on line 16 of the worksheet is greater than zero and that the wording of this letter is identical to the wording specified in 40 CFR Part 280.105(c) as such regulations were constituted on the date shown immediately below.

[Date] _____
 [Signature] _____
 [Name] _____
 [Title] _____

LOCAL GOVERNMENT GUARANTEE

WHAT IS IT?

A local government guarantee is a promise by either a state or a local government (the guarantor) to provide funding for taking corrective action or compensating third parties for bodily injury and property damage. The local government that owns or operates the USTs remains primarily responsible for paying corrective action and third-party liability claims, and the guarantor is required to make payments if the owner/operator fails to meet performance requirements.

WHO ISSUES IT?

A guarantee can be issued by either the state in which the local government owner or operator is located, or by another local government that has a "substantial business relationship" with the owner and operator.

HOW MUCH DOES IT COST?

There is no fee associated with obtaining a guarantee, but a cost will be incurred if a standby trust is used (see page 3-35).

OTHER CONSIDERATIONS

There are four types of guarantees that can be used to meet the requirements, and it is left to the discretion of the guarantor and the owner or operator to decide which type to use.

- ✂ A guarantee with a standby trust made by a state,
- ✂ A guarantee with a standby trust made by a local government,
- ✂ A guarantee without a standby trust made by a state,
- ✂ A guarantee without a standby trust made by a local government.

If a standby trust is used, refer to page 3-35 for the requirements.

To issue a guarantee, a local government must demonstrate that it meets either:

- ✂ The bond rating test requirements (see page 4-1),
- ✂ The local government financial test requirements (see page 4-3), or
- ✂ The local government fund requirements (see page 4-17).

The local government guarantor must provide the owner or operator with the applicable letter from the Chief Financial Officer. A state does not need to meet any requirements to be a guarantor.

WHEN A GUARANTEE IS CALLED

If a leak is suspected, the Director of the implementing agency referenced in the guarantee can call a guarantee under the following circumstances:

- ✂ The owner or operator fails to obtain alternative coverage within 60 days after receipt of a notice of cancellation of the guarantee.

- ✂ The owner or operator fails to perform corrective action or to satisfy a judgement or award for bodily damage or property damage to third parties.

REVIEW PROCESS

Check to see that the wording of the guarantee conforms exactly to the applicable guarantee on the next page, except for the information in brackets which will be unique to each owner or operator.

If a standby trust is used in concert with this guarantee, the owner/operator must maintain a copy of that standby trust fund agreement. If the guarantor is a local government, the owner/operator must also maintain a copy of the Chief Financial Officer's letter demonstrating that it meets either the bond rating test, the local government worksheet test, or the local government fund.

**Local Government Guarantee With Standby
Trust Made by a State**
Source § 280.106(d)

Guarantee made this _____ by _____, herein referred to as
[date] [name of state]
guarantor, to _____ and to any and all third parties, and
[the state implementing agency]
obliges, on behalf of _____.
[local government owner of operator]

Recitals

(1) Guarantor is a state.

(2) _____ owns or operates the following
[local government owner or operator]
underground storage tank(s) covered by this guarantee:

[List the number of tanks at each facility and the name(s) and address(es) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR Part 280 of the corresponding state requirement, and the name and address of the facility.]

This guarantee satisfies 40 CFR Part 280, Subpart H requirements for assuring funding for

_____ *insert: either "taking corrective action" and/or "compensating third parties for bodily injury and property damage"*
caused by _____
insert: either "sudden accidental releases" or "nonsudden accidental releases" or "accidental releases";
if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location]
arising from operating the above-identified underground storage tank(s) in the amount of
_____ per occurrence and _____ annual aggregate.
[dollar amount] [dollar amount]

(3) Guarantor guarantees to _____ and to any and all third parties that:
[implementing agency]

In the event that _____ fails to provide
[local government owner or operator]
alternative coverage within 60 days after receipt of a notice of cancellation of this guarantee
and the _____ has determined or suspects that a release
[Director of the implementing agency]
has occurred at an underground storage tank covered by this guarantee, the guarantor, upon instructions from the _____ shall fund a
[Director]
standby trust fund in accordance with the provisions of 40 CFR part 280.112, in an amount not to exceed the coverage limits specified above.

In the event that the _____ determines that _____
[Director] [local government owner or operator]
has failed to perform corrective action for releases arising out of the operation of the above-identified tank(s) in accordance with 40 CFR 280,
subpart F, the guarantor upon written instructions from the _____ shall fund a standby trust fund in accordance with the
[Director]
provisions of 40 CFR part 280.112 in an amount not to exceed the coverage limits specified above.

If _____ fails to satisfy a judgement or award based on a
[owner or operator]
determination of liability for bodily injury or property damage to third parties caused by
_____ accidental release arising from the operation of the above
["sudden" and/or "nonsudden"]
identified tank(s), or fails to pay an amount agreed to in settlement of a claim arising from or alleged to arise from such injury or damage, the
guarantor, upon written instruction from the _____, shall fund a standby trust in accordance with the provisions of 40 CFR part
[Director]
280.112 to satisfy such judgement(s), award(s), or settlement agreement(s) up to the limits of coverage specified above.

(4) Guarantor agrees to notify _____ by certified mail of a
[owner or operator]
voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code naming guarantor as debtor, within 10 days after commencement
of the proceeding.

(5) Guarantor agrees to remain bound under this guarantee notwithstanding any modification or alteration of any obligation of _____ pursuant to 40 CFR part 280.
[owner or operator]

(6) Guarantor agrees to remain bound under this guarantee for so long as _____ must
[local government owner or operator]
comply with the applicable financial responsibility requirements of 40 CFR part 280, subpart H for the above identified tank(s), except that guarantor may cancel this agreement by sending notice by certified mail to _____, such cancellation to
[local government owner or operator]
become effective no earlier than 120 days after receipt of such notice by _____, as evidenced by the return receipt.
[owner or operator]

(7) The guarantor's obligation does not apply to any of the following:

(a) Any obligations of _____ under a worker's
[local government owner or operator]
compensation, disability benefits, or unemployment compensation law or other similar law;

(b) Bodily injury to an employee of _____
[local government owner or operator]
arising from, and in the course of, employment by _____;
[local government owner or operator]

(c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;

(d) Property damage to any property owned, rented, loaned to, in the care of, custody, or control of, or occupied by _____ that is not the direct result of a release from a petroleum underground storage tank;
[local government owner or operator]
not the direct result of a release from a petroleum underground storage tank;

(e) Bodily damage or property damage for which _____
[local government owner or operator]
is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR part 280.93.

(8) Guarantor expressly waives notice of acceptance of this guarantee by _____, by any or all third parties, or by _____.
[the implementing agency] [local government owner or operator]

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR part 280.106(d) as such regulations were constituted on the effective date shown immediately below.

Effective date: _____

[Name of guarantor]

[Authorized signature for guarantor]

[Name of person signing]

[Title of person signing]

Signature of witness or notary

**Local Government Guarantee With Standby
Trust Made by a Local Government**
Source § 280.106(d)

Guarantee made this _____ by _____, herein referred to as guarantor, to _____
[date] [name of guaranteeing entity] [the state implementing agency]
and to any and all third parties, and obliges, on behalf of _____.
[local government owner of operator]

Recitals

(1) Guarantor meets or exceeds _____.
[select one: "the local government bond rating test requirements of 40 CFR
Part 280.104",
"the local government financial test requirements of 40 CFR
Part 280.105", or
"the local government fund under 40 CFR Part 280.107(a),
280.107(b), or 280.107(c)"]

(2) _____ owns or operates the following
[local government owner or operator]
underground storage tank(s) covered by this guarantee:

[List the number of tanks at each facility and the name(s) and address(es) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR Part 280 of the corresponding state requirement, and the name and address of the facility.]

This guarantee satisfies 40 CFR Part 280, Subpart H requirements for assuring funding for

_____ *insert:* either "taking corrective action" and/or
"compensating third parties for bodily injury and property damage"
caused by _____

_____ *insert:* either "sudden accidental releases" or "nonsudden accidental releases" or
"accidental releases";

if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location] arising from operating the above-identified underground storage tank(s) in the amount of _____ per occurrence and _____ annual aggregate.
[dollar amount] [dollar amount]

(3) Incident to our substantial governmental relationship with _____,
[local government owner of operator]
guarantor guarantees to _____ and to any and all third parties that:
[implementing agency]

In the event that _____ fails to provide
[local government owner or operator]
alternative coverage within 60 days after receipt of a notice of cancellation of this guarantee and the _____ has determined or suspects that a release has occurred at an underground storage tank covered by this guarantee, the guarantor, upon instructions from the _____ shall fund a standby trust fund in accordance with the provisions of 40 CFR part 280.112, in an amount not to exceed the coverage limits specified above.
[Director]

In the event that the _____ determines that _____
[Director] [local government owner or operator]
has failed to perform corrective action for releases arising out of the operation of the above-identified tank(s) in accordance with 40 CFR 280, subpart F, the guarantor upon written instructions from the _____ shall fund a standby trust fund in accordance with the provisions of 40 CFR part 280.112 in an amount not to exceed the coverage limits specified above.
[Director]

If _____ fails to satisfy a judgement or award based on a determination of liability for bodily injury or property damage to third parties caused by _____ accidental release arising from the operation of the above identified tank(s), or fails to pay an amount agreed to in settlement of a claim arising from or alleged to arise from such injury or damage, the guarantor, upon written instruction from the _____, shall fund a standby trust in accordance with the provisions of 40 CFR part
[owner or operator] [Director]

280.112 to satisfy such judgement(s), award(s), or settlement agreement(s) up to the limits of coverage specified above.

(4) Guarantor agrees that, if at the end of any fiscal year before cancellation of this guarantee, the guarantor fails to meet or exceed the requirements of the financial responsibility mechanism specified in paragraph (1), guarantor shall send within 120 days of such failure, by certified mail, notice to _____, as evidenced by the return receipt.
[local government owner or operator]

(5) Guarantor agrees to notify _____ by certified mail of a voluntary or involuntary proceeding under Title 11
[owner or operator]
(Bankruptcy), U.S. Code naming guarantor as debtor, within 10 days after commencement of the proceeding.

(6) Guarantor agrees to remain bound under this guarantee notwithstanding any modification or alteration of any obligation of _____ pursuant to 40 CFR part 280.
[owner or operator]

(7) Guarantor agrees to remain bound under this guarantee for so long as _____ must
[local government owner or operator]
comply with the applicable financial responsibility requirements of 40 CFR part 280, subpart H for the above identified tank(s), except that guarantor may cancel this agreement by sending notice by certified mail to _____, such cancellation to
[local government owner or operator]
become effective no earlier than 120 days after receipt of such notice by _____, as evidenced by the return receipt.
[owner or operator]

(8) The guarantor's obligation does not apply to any of the following:

(a) Any obligations of _____ under a worker's
[local government owner or operator]
compensation, disability benefits, or unemployment compensation law or other similar law;

(b) Bodily injury to an employee of _____
[local government owner or operator]
arising from, and in the course of, employment by _____;
[local government owner or operator]

(c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;

(d) Property damage to any property owned, rented, loaned to, in the care of, custody, or control of, or occupied by _____ that is not the direct result of a release from a petroleum underground storage tank;
[local government owner or operator]

(e) Bodily damage or property damage for which _____ is obligated to pay damages by reason of
[local government owner or operator]
the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR part 280.93.

(9) Guarantor expressly waives notice of acceptance of this guarantee by _____, by any or all third parties, or by _____.
[the implementing agency] [local government owner or operator]

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR part 280.106(d) as such regulations were constituted on the effective date shown immediately below.

Effective date: _____

[Name of guarantor]

[Authorized signature for guarantor]

[Name of person signing]

[Title of person signing]

Signature of witness or notary

**Local Government Guarantee Without Standby
Trust Made by a State
Source § 280.106(e)**

Guarantee made this _____ by _____, herein referred to as
[Date] [name of state]
guarantor, to _____ and to any and all third parties, and
[the state implementing agency]
obliges, on behalf of _____.
[local government owner of operator]

Recitals

(1) Guarantor is a state.

(2) _____ owns or operates the following
[local government owner or operator]
underground storage tank(s) covered by this guarantee:

[List the number of tanks at each facility and the name(s) and address(es) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR Part 280 of the corresponding state requirement, and the name and address of the facility.]

This guarantee satisfies 40 CFR Part 280, Subpart H requirements for assuring funding for

_____ caused by _____
insert: either "taking corrective action" and/or
"compensating third parties for bodily injury and property damage"
insert: either "sudden accidental releases" or
"nonsudden accidental releases" or
"accidental releases";

if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location] arising from operating the above-identified underground storage tank(s) in the amount of _____ per occurrence and _____ annual aggregate.
[dollar amount] [dollar amount]

(3) Guarantor guarantees to _____ and to any and all third parties that:
[implementing agency]

In the event that _____ fails to provide
[local government owner or operator]
alternative coverage within 60 days after receipt of a notice of cancellation of this guarantee and the _____ has determined or suspects that a release
[Director of the implementing agency]
has occurred at an underground storage tank covered by this guarantee, the guarantor, upon instructions from the _____ shall make
[Director]
funds available to pay for corrective actions and compensate third parties for bodily injury and property damage in an amount not to exceed the coverage limits specified above.

In the event that the _____ determines that _____
[Director] [local government owner or operator]
has failed to perform corrective action for releases arising out of the operation of the above-identified tank(s) in accordance with 40 CFR 280, subpart F, the guarantor upon written instructions from the _____ shall make funds available to pay for corrective actions
[Director]
in an amount not to exceed the coverage limits specified above.

If _____ fails to satisfy a judgement or award based on a
[owner or operator]
determination of liability for bodily injury or property damage to third parties caused by

_____ accidental release arising from the operation of the above
["sudden" and/or "nonsudden"]
identified tank(s), or fails to pay an amount agreed to in settlement of a claim arising from or alleged to arise from such injury or damage, the guarantor, upon written instruction from the _____, shall make funds available to compensate third parties for bodily injury and
[Director]
property damage in an amount not to exceed the coverage limits specified above.

(4) Guarantor agrees to notify _____ by certified mail of a
[owner or operator]
voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code naming guarantor as debtor, within 10 days after commencement of the proceeding.

(5) Guarantor agrees to remain bound under this guarantee notwithstanding any modification or alteration of any obligation of _____ pursuant to 40 CFR part 280.
[owner or operator]

(6) Guarantor agrees to remain bound under this guarantee for so long as _____ must comply with the applicable financial
[local government owner or operator]
responsibility requirements of 40 CFR part 280, subpart H for the above identified tank(s), except that guarantor may cancel this agreement by sending notice by certified mail to _____, such cancellation to become effective no earlier
[local government owner or operator]
than 120 days after receipt of such notice by _____, as evidenced by the return receipt.
[owner or operator]

If notified of a probable release, the guarantor agrees to remain bound to the terms of this guarantee for all charges arising from the release, up to the coverage limits specified above, notwithstanding the cancellation of the guarantee with respect to future releases.

(7) The guarantor's obligation does not apply to any of the following:

(a) Any obligations of _____ under a worker's
[local government owner or operator]
compensation, disability benefits, or unemployment compensation law or other similar law;

(b) Bodily injury to an employee of _____
[local government owner or operator]
arising from, and in the course of, employment by _____;
[local government owner or operator]

(c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;

(d) Property damage to any property owned, rented, loaned to, in the care of, custody, or control of, or occupied by _____ that is not the direct result of a release from a petroleum underground storage tank;
[local government owner or operator]

(e) Bodily damage or property damage for which _____
[local government owner or operator]
is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR part 280.93.

(8) Guarantor expressly waives notice of acceptance of this guarantee by _____, by any or all third parties, or by _____.
[the implementing agency] [local government owner or operator]

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR part 280.106(d) as such regulations were constituted on the effective date shown immediately below.

Effective date: _____

[Name of guarantor] [Authorized signature for guarantor]

[Name of person signing] [Title of person signing]

Signature of witness or notary

**Local Government Guarantee Without Standby
Trust Made by a Local Government**
Source § 280.106(e)

Guarantee made this _____ by _____, herein referred to as guarantor, to _____
[Date] [name of state] [the state implementing agency]

and to any and all third parties, and obliges, on behalf of _____.
[local government owner of operator]

Recitals

(1) Guarantor meets or exceeds _____.
[select one: "the local government bond rating test requirements of 40 CFR
Part 280.104",
"the local government financial test requirements of 40 CFR
Part 280.105", or
"the local government fund under 40 CFR Part 280.107(a),
280.107(b), or 280.107(c)"]

(2) _____ owns or operates the following
[local government owner or operator]
underground storage tank(s) covered by this guarantee:

[List the number of tanks at each facility and the name(s) and address(es) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR Part 280 of the corresponding state requirement, and the name and address of the facility.]

This guarantee satisfies 40 CFR Part 280, Subpart H requirements for assuring funding for

_____ *insert: either* "taking corrective action" *and/or*
"compensating third parties for bodily injury and property damage"

caused by _____
insert: either "sudden accidental releases" *or* "nonsudden accidental releases" *or*
"accidental releases";

if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location] arising from operating the above-identified underground storage tank(s) in the amount of _____ per occurrence and _____ annual aggregate.
[dollar amount] [dollar amount]

(3) Incident to our substantial governmental relationship with _____,
[local government owner of operator]
guarantor guarantees to _____ and to any and all third parties that:
[implementing agency]

In the event that _____ fails to provide
[local government owner or operator]
alternative coverage within 60 days after receipt of a notice of cancellation of this guarantee and the _____ has determined or suspects that a release has occurred at an underground storage tank
[Director of the implementing agency]
covered by this guarantee, the guarantor, upon instructions from the _____ shall make funds available to pay for corrective actions
[Director]
and compensate third parties for bodily injury and property damage in an amount not to exceed the coverage limits specified above.

In the event that the _____ determines that _____
[Director] [local government owner or operator]
has failed to perform corrective action for releases arising out of the operation of the above-identified tank(s) in accordance with 40 CFR 280, subpart F, the guarantor upon written instructions from the _____ shall make funds available to pay for corrective actions
[Director]
in an amount not to exceed the coverage limits specified above.

If _____ fails to satisfy a judgement or award based on a determination of liability for bodily injury
[owner or operator]
or property damage to third parties caused by _____ accidental release arising from the operation of the above
["sudden" and/or "nonsudden"]

LOCAL GOVERNMENT FUND

WHAT IS IT?

A local government owner or operator may demonstrate compliance with the financial responsibility requirements with an adequate local government fund. A local government fund is a fund that is dedicated by a state or a local government to pay for corrective action and/or third party liability costs. The fund does not need to be administered by an impartial third party. The local government fund can be used to demonstrate financial responsibility for the full amount of financial assurance, or may be used in combination with other mechanisms. There are three types of funds that can be used for this purpose:

- ✂ A fully-funded fund dedicated solely to the payment of corrective action and third- party liability costs for releases from USTs,
- ✂ A contingency fund for general emergencies that includes payment for corrective action and third-party liability costs for releases from USTs, and
- ✂ An incrementally-funded fund dedicated solely to the payment of corrective action and third-party liability costs for releases from USTs.

WHO ISSUES IT?

Local government funds are dedicated by state constitutional provision or local government statute, charter, ordinance, or order.

HOW MUCH DOES IT COST?

The cost of the fund will equal the amount invested in the fund (depending upon whether the fund is for the full amount of FR or a partial amount). Any additional costs are simply the staff/overhead costs involved in managing the fund. For local governments that already have an adequate contingency fund, no additional expenses need to be incurred.

FUNDING OPTIONS

1. For the fully-funded dedicated fund, the local government fund must be funded for the full amount of coverage, or funded for part of the coverage and used in combination with another mechanism.
2. For a contingency fund, the fund must be able to pay for taking corrective action and compensating third-party liabilities caused by releases from USTs. The contingency fund must be funded for five times the amount of financial responsibility being demonstrated. Many local government entities have large contingency funds, and this option allows them to use these existing funds to meet the financial responsibility requirements.

3. For an incrementally-funded fund, a payment is made to the fund once every year for seven years. To determine the amount of each payment, the following formula is used:

$$\frac{TF - CF}{Y}$$

TF = Total amount of required financial assurance
CF = Current balance of the fund
Y = Number of years remaining in the pay in period

If using Option 3, the local government must have either:

A. Approved bonding authority at least equal to the unfunded portion of the fund (that has been approved through voter referendum if necessary), or

B. A letter signed by its State Attorney General stating that the use of the bonding authority will not increase its debt beyond the legal debt ceiling, and that prior voter approval is not necessary before use of the bonding authority.

REVIEW PROCESS

Check to see that the wording of the Letter from Chief Financial Officer conforms exactly to that shown on the next page, except for the information in brackets which will be unique to each owner or operator and, of course, the purpose (Self-Insurance or Guarantee).

Note that the Chief Financial Officer may have a variety of titles, such as Comptroller, Vice President for Finance, Treasurer, etc. The Letter's wording in the opening sentence must not change based upon the signer's actual title.

To confirm the existence and balance of a particular fund, ask the local government official for the financial reports. The financial reports will list the various funds.

Note: If Option 3(B) is used, the local government must provide a signed letter from the State Attorney General, as indicated in the letter from the Chief Financial Officer.

SPECIAL CONSIDERATIONS

Except as specified for the contingency fund, these dedicated funds can not be commingled with other funds or otherwise used in normal operations.

LETTER FROM CHIEF FINANCIAL OFFICER

Source § 280.107(d)

I am the chief financial officer of _____,
[name and address of local government owner or operator, or guarantor]

This letter is in support of the use of the local government fund mechanism to demonstrate financial responsibility for

_____.
[insert: "taking corrective action" and/or "compensating third parties for bodily injury and property damage"]
caused by _____

[insert: "sudden accidental releases" and/or "nonsudden accidental releases"]
in the amount of at least _____ per occurrence and _____ annual
[dollar amount] [dollar amount]

aggregate arising from operating (an) underground storage tank(s).

Underground storage tanks at the following facilities are assured by this local government fund mechanism:

[List for each facility: the name and address of the facility where tanks are assured by the local government fund]

[Insert: "The local government fund is funded for the full amount of coverage required under §280.93, or funded for part of the required amount of coverage and used in combination with other mechanism(s) that provide the remaining coverage.", or

"The local government fund is funded for five times the full amount of coverage required under §280.93, or funded for part of the required amount of coverage and used in combination with other mechanism(s) that provide the remaining coverage." or,

"A payment is made to the fund once every year for seven years until the fund is fully-funded and

[local government owner of operator]
has available bonding authority, approved through voter referendum, of an amount equal to the difference between the required amount of coverage and the amount held in the dedicated fund.", or

"A payment is made to the fund once a year for seven years until the fund is fully-funded and I have attached a letter signed by the State Attorney General stating that (1) the use of the bonding authority will not increase the local government's debt beyond the legal debt ceilings established by the relevant state laws and (2) that prior voter approval is not necessary before use of the bonding authority."

The details of the local government fund are as follows:

Amount in Fund (market value of fund at close of last fiscal year): _____

[If fund balance is incrementally funded as specified in §280.107(c), insert:

Amount added to fund in the most recently completed fiscal year: _____

Number of years remaining in the pay-in-period: _____]

A copy of the state constitutional provision, or local government statute, charter, ordinance or order dedicating the fund is attached.

I hereby certify that the wording of this letter is identical to the wording in 40 CFR §280.107(d) as such regulations were constituted on the date shown immediately below.

[Date]

[Signature]

[Name]

[Title]

CHAPTER 5

40 CFR Part 280, Subpart H

TITLE 40--PROTECTION OF ENVIRONMENT

AGENCY (CONTINUED)

PART 280--TECHNICAL STANDARDS AND CORRECTIVE ACTION REQUIREMENTS FOR OWNERS AND OPERATORS OF UNDERGROUND STORAGE TANKS (UST)--Table of Contents

Subpart H--Financial Responsibility

Source: 53 FR 43370, Oct. 26, 1988, unless otherwise noted.

Sec. 280.90 Applicability.

(a) This subpart applies to owners and operators of all petroleum underground storage tank (UST) systems except as otherwise provided in this section.

(b) Owners and operators of petroleum UST systems are subject to these requirements if they are in operation on or after the date for compliance established in Sec. 280.91.

(c) State and Federal government entities whose debts and liabilities are the debts and liabilities of a state or the United States are exempt from the requirements of this subpart.

(d) The requirements of this subpart do not apply to owners and operators of any UST system described in Sec. 280.10 (b) or (c).

(e) If the owner and operator of a petroleum underground storage tank are separate persons, only one person is required to demonstrate financial responsibility; however, both parties are liable in event of noncompliance. Regardless of which party complies, the date set for compliance at a particular facility is determined by the characteristics of the owner as set forth in Sec. 280.91.

Sec. 280.91 Compliance dates.

Owners of petroleum underground storage tanks are required to comply with the requirements of this subpart by the following dates:

(a) All petroleum marketing firms owning 1,000 or more USTs and all other UST owners that report a tangible net worth of \$20 million or more to the U.S. Securities and Exchange Commission (SEC), Dun and Bradstreet, the Energy Information Administration, or the Rural Electrification Administration; January 24, 1989, except that compliance with Sec. 280.94(b) is required by: July 24, 1989.

(b) All petroleum marketing firms owning 100-999 USTs; October 26, 1989.

(c) All petroleum marketing firms owning 13-99 USTs at more than one facility; April 26, 1991.

(d) All petroleum UST owners not described in paragraphs (a), (b), or (c) of this section, excluding local government entities; December 31, 1993.

(e) All local government entities (including Indian tribes) not included in paragraph (f) of this section; February 18, 1994.

(f) Indian tribes that own USTs on Indian lands which meet the applicable technical requirements of this part; December 31, 1998.

[53 FR 43370, Oct. 26, 1988, as amended at 54 FR 5452, Feb. 3, 1989; 55 FR 18567, May 2, 1990; 55 FR 46025, Oct. 31, 1990; 56 FR 66373, Dec. 23, 1991; 59 FR 9607, Feb. 28, 1994]

Sec. 280.92 Definition of terms.

When used in this subpart, the following terms shall have the meanings given below:

Accidental release means any sudden or nonsudden release of petroleum from an underground storage tank that results in a need for corrective action and/or compensation for bodily injury or property damage neither expected nor intended by the tank owner or operator.

Bodily injury shall have the meaning given to this term by applicable state law; however, this term shall not include those liabilities which, consistent with standard insurance industry practices, are excluded from coverage in liability insurance policies for bodily injury.

Chief Financial Officer, in the case of local government owners and operators, means the individual with the overall authority and responsibility for the collection, disbursement, and use of funds by the local government.

Controlling interest means direct ownership of at least 50 percent of the voting stock of another entity.

Director of the Implementing Agency means the EPA Regional Administrator, or, in the case of a state with a program approved under section 9004, the Director of the designated state or local agency responsible for carrying out an approved UST program.

Financial reporting year means the latest consecutive twelve-month period for which any of the following reports used to support a financial test is prepared:

- (1) a 10-K report submitted to the SEC;
- (2) an annual report of tangible net worth submitted to Dun and Bradstreet; or
- (3) annual reports submitted to the Energy Information Administration or the Rural Electrification Administration.

``Financial reporting year'' may thus comprise a fiscal or a calendar year period.

Legal defense cost is any expense that an owner or operator or provider of financial assurance incurs in defending against claims or actions brought,

- (1) By EPA or a state to require corrective action or to recover the costs of corrective action;
- (2) By or on behalf of a third party for bodily injury or property damage caused by an accidental release; or
- (3) By any person to enforce the terms of a financial assurance mechanism.

Local government shall have the meaning given this term by applicable state law and includes Indian tribes. The term is generally intended to include: (1) Counties, municipalities, townships, separately chartered and operated special districts (including local government public transit systems and redevelopment authorities), and independent school districts authorized as governmental bodies by state charter or constitution; and (2) Special districts and independent school districts established by counties, municipalities, townships, and other general purpose governments to provide essential services.

Occurrence means an accident, including continuous or repeated exposure to conditions, which results in a release from an underground storage tank.

Note: This definition is intended to assist in the understanding of these regulations and is not intended either to limit the meaning of ``occurrence'' in a way that conflicts with standard insurance usage or to prevent the use of other standard insurance terms in place of

``occurrence.''

Owner or operator, when the owner or operator are separate parties, refers to the party that is obtaining or has obtained financial assurances.

Petroleum marketing facilities include all facilities at which petroleum is produced or refined and all facilities from which petroleum is sold or transferred to other petroleum marketers or to the public.

Petroleum marketing firms are all firms owning petroleum marketing facilities. Firms owning other types of facilities with USTs as well as petroleum marketing facilities are considered to be petroleum marketing firms.

Property damage shall have the meaning given this term by applicable state law. This term shall not include those liabilities which, consistent with standard insurance industry practices, are excluded from coverage in liability insurance policies for property damage. However, such exclusions for property damage shall not include corrective action associated with releases from tanks which are covered by the policy.

Provider of financial assurance means an entity that provides financial assurance to an owner or operator of an underground storage tank through one of the mechanisms listed in Secs. 280.95-280.103, including a guarantor, insurer, risk retention group, surety, issuer of a letter of credit, issuer of a state-required mechanism, or a state.

Substantial business relationship means the extent of a business relationship necessary under applicable state law to make a guarantee contract issued incident to that relationship valid and enforceable. A guarantee contract is issued ``incident to that relationship'' if it arises from and depends on existing economic transactions between the guarantor and the owner or operator.

Substantial governmental relationship means the extent of a governmental relationship necessary under applicable state law to make an added guarantee contract issued incident to that relationship valid and enforceable. A guarantee contract is issued ``incident to that relationship'' if it arises from a clear commonality of interest in the event of an UST release such as coterminous boundaries, overlapping constituencies, common ground-water aquifer, or other relationship other than monetary compensation that provides a motivation for the guarantor to provide a guarantee.

Tangible net worth means the tangible assets that remain after deducting liabilities; such assets do not include intangibles such as goodwill and rights to patents or royalties. For purposes of this definition, ``assets'' means all existing and all probable future economic benefits obtained or controlled by a particular entity as a result of past transactions.

Termination under Sec. 280.97(b)(1) and Sec. 280.97(b)(2) means only those changes that could result in a gap in coverage as where the insured has not obtained substitute coverage or has obtained substitute coverage with a different retroactive date than the retroactive date of the original policy.

[53 FR 43370, Oct. 26, 1988, as amended at 54 FR 47081, Nov. 9, 1989; 58 FR 9050, Feb. 18, 1993]

Sec. 280.93 Amount and scope of required financial responsibility.

(a) Owners or operators of petroleum underground storage tanks must demonstrate financial responsibility for taking corrective action and for compensating third parties for bodily injury and property damage caused by accidental releases arising from the operation of petroleum underground storage tanks in at least the following per-occurrence amounts:

(1) For owners or operators of petroleum underground storage tanks that are located at petroleum marketing facilities, or that handle an average of more than 10,000 gallons of petroleum per month based on annual throughput for the previous calendar year; \$1 million.

(2) For all other owners or operators of petroleum underground storage tanks; \$500,000.

(b) Owners or operators of petroleum underground storage tanks must demonstrate financial responsibility for taking corrective action and for compensating third parties for bodily injury and property damage caused by accidental releases arising from the operation of petroleum underground storage tanks in at least the following annual aggregate amounts:

(1) For owners or operators of 1 to 100 petroleum underground storage tanks, \$1 million; and

(2) For owners or operators of 101 or more petroleum underground storage tanks, \$2 million.

(c) For the purposes of paragraphs (b) and (f) of this section, only, ``a petroleum underground storage tank'' means a single containment unit and does not mean combinations of single containment units.

(d) Except as provided in paragraph (e) of this section, if the owner or operator uses separate mechanisms or separate combinations of mechanisms to demonstrate financial responsibility for:

(1) Taking corrective action;

(2) Compensating third parties for bodily injury and property damage caused by sudden accidental releases; or

(3) Compensating third parties for bodily injury and property damage caused by nonsudden accidental releases, the amount of assurance provided by each mechanism or combination of mechanisms must be in the full amount specified in paragraphs (a) and (b) of this section.

(e) If an owner or operator uses separate mechanisms or separate combinations of mechanisms to demonstrate financial responsibility for different petroleum underground storage tanks, the annual aggregate required shall be based on the number of tanks covered by each such separate mechanism or combination of mechanisms.

(f) Owners or operators shall review the amount of aggregate assurance provided whenever additional petroleum underground storage tanks are acquired or installed. If the number of petroleum underground storage tanks for which assurance must be provided exceeds 100, the owner or operator shall demonstrate financial responsibility in the amount of at least \$2 million of annual aggregate assurance by the anniversary of the date on which the mechanism demonstrating financial responsibility became effective. If assurance is being demonstrated by a combination of mechanisms, the owner or operator shall demonstrate financial responsibility in the amount of at least \$2 million of annual aggregate assurance by the first-occurring effective date anniversary of any one of the mechanisms combined (other than a financial test or guarantee) to provide assurance.

(g) The amounts of assurance required under this section exclude legal defense costs.

(h) The required per-occurrence and annual aggregate coverage amounts do not in any way limit the liability of the owner or operator.

Sec. 280.94 Allowable mechanisms and combinations of mechanisms.

(a) Subject to the limitations of paragraphs (b) and (c) of this section,

(1) An owner or operator, including a local government owner or operator, may use any one or combination of the mechanisms listed in Secs. 280.95 through 280.103 to demonstrate financial responsibility under this subpart for one or more underground storage tanks, and

(2) A local government owner or operator may use any one or combination of the mechanisms listed in Secs. 280.104 through 280.107 to demonstrate financial responsibility under this subpart for one or more underground storage tanks.

(b) An owner or operator may use a guarantee under Sec. 280.96 or surety bond under Sec. 280.98 to establish financial responsibility only if the Attorney(s) General of the state(s) in which the underground storage tanks are located has (have) submitted a written statement to the implementing agency that a guarantee or surety bond executed as described in this section is a legally valid and enforceable obligation in that state.

(c) An owner or operator may use self-insurance in combination with a guarantee only if, for the purpose of meeting the requirements of the financial test under this rule, the financial statements of the owner or operator are not consolidated with the financial statements of the guarantor.

[53 FR 43370, Oct. 26, 1988, as amended at 58 FR 9051, Feb. 18, 1993]

Sec. 280.95 Financial test of self-insurance.

(a) An owner or operator, and/or guarantor, may satisfy the requirements of Sec. 280.93 by passing a financial test as specified in this section. To pass the financial test of self-insurance, the owner or operator, and/or guarantor must meet the criteria of paragraph (b) or (c) of this section based on year-end financial statements for the latest completed fiscal year.

(b)(1) The owner or operator, and/or guarantor, must have a tangible net worth of at least ten times:

(i) The total of the applicable aggregate amount required by Sec. 280.93, based on the number of underground storage tanks for which a financial test is used to demonstrate financial responsibility to EPA under this section or to a state implementing agency under a state program approved by EPA under 40 CFR part 281;

(ii) The sum of the corrective action cost estimates, the current closure and post-closure care cost estimates, and amount of liability coverage for which a financial test is used to demonstrate financial responsibility to EPA under 40 CFR 264.101, 264.143, 264.145, 265.143, 265.145, 264.147, and 265.147 or to a state implementing agency under a state program authorized by EPA under 40 CFR part 271; and

(iii) The sum of current plugging and abandonment cost estimates for which a financial test is used to demonstrate financial responsibility to EPA under 40 CFR 144.63 or to a state implementing agency under a state program authorized by EPA under 40 CFR part 145.

(2) The owner or operator, and/or guarantor, must have a tangible net worth of at least \$10 million.

(3) The owner or operator, and/or guarantor, must have a letter signed by the chief financial officer worded as specified in paragraph (d) of this section.

(4) The owner or operator, and/or guarantor, must either:

(i) File financial statements annually with the U.S. Securities and Exchange Commission, the Energy Information Administration, or the Rural Electrification Administration; or

(ii) Report annually the firm's tangible net worth to Dun and Bradstreet, and Dun and Bradstreet must have assigned the firm a financial strength rating of 4A or 5A.

(5) The firm's year-end financial statements, if independently audited, cannot include an adverse auditor's opinion, a disclaimer of opinion, or a "going concern" qualification.

(c)(1) The owner or operator, and/or guarantor must meet the

financial test requirements of 40 CFR 264.147(f)(1), substituting the appropriate amounts specified in Sec. 280.93 (b)(1) and (b)(2) for the ``amount of liability coverage'' each time specified in that section.

(2) The fiscal year-end financial statements of the owner or operator, and/or guarantor, must be examined by an independent certified public accountant and be accompanied by the accountant's report of the examination.

(3) The firm's year-end financial statements cannot include an adverse auditor's opinion, a disclaimer of opinion, or a ``going concern'' qualification.

(4) The owner or operator, and/or guarantor, must have a letter signed by the chief financial officer, worded as specified in paragraph (d) of this section.

(5) If the financial statements of the owner or operator, and/or guarantor, are not submitted annually to the U.S. Securities and Exchange Commission, the Energy Information Administration or the Rural Electrification Administration, the owner or operator, and/or guarantor, must obtain a special report by an independent certified public accountant stating that:

(i) He has compared the data that the letter from the chief financial officer specifies as having been derived from the latest year-end financial statements of the owner or operator, and/or guarantor, with the amounts in such financial statements; and

(ii) In connection with that comparison, no matters came to his attention which caused him to believe that the specified data should be adjusted.

(d) To demonstrate that it meets the financial test under paragraph (b) or (c) of this section, the chief financial officer of the owner or operator, or guarantor, must sign, within 120 days of the close of each financial reporting year, as defined by the twelve-month period for which financial statements used to support the financial test are prepared, a letter worded exactly as follows, except that the instructions in brackets are to be replaced by the relevant information and the brackets deleted:

Letter from Chief Financial Officer

I am the chief financial officer of [insert: name and address of the owner or operator, or guarantor]. This letter is in support of the use of [insert: ``the financial test of self-insurance,'' and/or ``guarantee''] to demonstrate financial responsibility for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage''] caused by [insert: ``sudden accidental releases'' and/or ``nonsudden accidental releases''] in the amount of at least [insert: dollar amount] per occurrence and [insert: dollar amount] annual aggregate arising from operating (an) underground storage tank(s).

Underground storage tanks at the following facilities are assured by this financial test or a financial test under an authorized State program by this [insert: ``owner or operator,'' and/or ``guarantor'']: [List for each facility: the name and address of the facility where tanks assured by this financial test are located, and whether tanks are assured by this financial test or a financial test under a State program approved under 40 CFR part 281. If separate mechanisms or combinations of mechanisms are being used to assure any of the tanks at this facility, list each tank assured by this financial test or a financial test under a State program authorized under 40 CFR part 281 by the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22 or the corresponding State requirements.]

A [insert: ``financial test,'' and/or ``guarantee''] is also used by

this [insert: ``owner or operator,' ' or ``guarantor''] to demonstrate evidence of financial responsibility in the following amounts under other EPA regulations or state programs authorized by EPA under 40 CFR parts 271 and 145:

EPA Regulations	Amount
Closure (Secs. 264.143 and 265.143).....	\$-----
Post-Closure Care (Secs. 264.145 and 265.145).....	\$-----
Liability Coverage (Secs. 264.147 and 265.147).....	\$-----
Corrective Action (Secs. 264.101(b)).....	\$-----
Plugging and Abandonment (Sec. 144.63).....	\$-----
Closure.....	\$-----
Post-Closure Care.....	\$-----
Liability Coverage.....	\$-----
Corrective Action.....	\$-----
Plugging and Abandonment.....	\$-----
Total.....	\$-----

This [insert: ``owner or operator,' ' or ``guarantor''] has not received an adverse opinion, a disclaimer of opinion, or a ``going concern' ' qualification from an independent auditor on his financial statements for the latest completed fiscal year.

[Fill in the information for Alternative I if the criteria of paragraph (b) of Sec. 280.95 are being used to demonstrate compliance with the financial test requirements. Fill in the information for Alternative II if the criteria of paragraph (c) of Sec. 280.95 are being used to demonstrate compliance with the financial test requirements.]

Alternative I			
1.	Amount of annual UST aggregate coverage being assured by a financial test, and/or guarantee	\$-----	
2.	Amount of corrective action, closure and post-closure care costs, liability coverage, and plugging and abandonment costs covered by a financial test, and/or guarantee	\$-----	
3.	Sum of lines 1 and 2	\$-----	
4.	Total tangible assets	\$-----	
5.	Total liabilities [if any of the amount reported on line 3 is included in total liabilities, you may deduct that amount from this line and add that amount to line 6]	\$-----	
6.	Tangible net worth [subtract line 5 from line 4]	\$-----	
			Yes No
7.	Is line 6 at least \$10 million?	----	--
8.	Is line 6 at least 10 times line 3?	----	--
9.	Have financial statements for the latest fiscal year been filed with the Securities and Exchange Commission?	----	--
10.	Have financial statements for the latest fiscal year been filed with the Energy Information Administration?	----	--
11.	Have financial statements for the latest fiscal year been filed with the Rural Electrification Administration?	----	--
12.	Has financial information been provided to Dun and Bradstreet, and has Dun and Bradstreet	----	--

provided a financial strength rating of 4A or 5A? [Answer ``Yes'' only if both criteria have been met.]

Alternative II

- | | | | |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|--------|
| 1. | Amount of annual UST aggregate coverage being assured by a test, and/or guarantee | \$----- | |
| 2. | Amount of corrective action, closure and post-closure care costs, liability coverage, and plugging and abandonment costs covered by a financial test, and/or guarantee | \$----- | |
| 3. | Sum of lines 1 and 2 | \$----- | |
| 4. | Total tangible assets | \$----- | |
| 5. | Total liabilities [if any of the amount reported on line 3 is included in total liabilities, you may deduct that amount from this line and add that amount to line 6] | \$----- | |
| 6. | Tangible net worth [subtract line 5 from line 4] | \$----- | |
| 7. | Total assets in the U.S. [required only if less than 90 percent of assets are located in the U.S.] | \$----- | |
| | | | Yes No |
| 8. | Is line 6 at least \$10 million? | ---- | -- |
| 9. | Is line 6 at least 6 times line 3? | ---- | -- |
| 10. | Are at least 90 percent of assets located in the U.S.? [If ``No,'' complete line 11.] | ---- | -- |
| 11. | Is line 7 at least 6 times line 3? | ---- | -- |
| | [Fill in either lines 12-15 or lines 16-18:] | | |
| 12. | Current assets | \$----- | |
| 13. | Current liabilities | \$----- | |
| 14. | Net working capital [subtract line 13 from line 12] | \$----- | |
| | | | Yes No |
| 15. | Is line 14 at least 6 times line 3? | ---- | -- |
| 16. | Current bond rating of most recent bond issue | ----- | |
| 17. | Name of rating service | ----- | |
| 18. | Date of maturity of bond | ----- | |
| 19. | Have financial statements for the latest fiscal year been filed with the SEC, the Energy Information Administration, or the Rural Electrification Administration? | ---- | -- |

[If ``No,'' please attach a report from an independent certified public accountant certifying that there are no material differences between the data as reported in lines 4-18 above and the financial statements for the latest fiscal year.]

[For both Alternative I and Alternative II complete the certification with this statement.]

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR part 280.95(d) as such regulations were constituted on the date shown immediately below.

[Signature]
 [Name]
 [Title]
 [Date]

(e) If an owner or operator using the test to provide financial

assurance finds that he or she no longer meets the requirements of the financial test based on the year-end financial statements, the owner or operator must obtain alternative coverage within 150 days of the end of the year for which financial statements have been prepared.

(f) The Director of the implementing agency may require reports of financial condition at any time from the owner or operator, and/or guarantor. If the Director finds, on the basis of such reports or other information, that the owner or operator, and/or guarantor, no longer meets the financial test requirements of Sec. 280.95(b) or (c) and (d), the owner or operator must obtain alternate coverage within 30 days after notification of such a finding.

(g) If the owner or operator fails to obtain alternate assurance within 150 days of finding that he or she no longer meets the requirements of the financial test based on the year-end financial statements, or within 30 days of notification by the Director of the implementing agency that he or she no longer meets the requirements of the financial test, the owner or operator must notify the Director of such failure within 10 days.

Sec. 280.96 Guarantee.

(a) An owner or operator may satisfy the requirements of Sec. 280.93 by obtaining a guarantee that conforms to the requirements of this section. The guarantor must be:

(1) A firm that (i) possesses a controlling interest in the owner or operator; (ii) possesses a controlling interest in a firm described under paragraph (a)(1)(i) of this section; or, (iii) is controlled through stock ownership by a common parent firm that possesses a controlling interest in the owner or operator; or,

(2) A firm engaged in a substantial business relationship with the owner or operator and issuing the guarantee as an act incident to that business relationship.

(b) Within 120 days of the close of each financial reporting year the guarantor must demonstrate that it meets the financial test criteria of Sec. 280.95 based on year-end financial statements for the latest completed financial reporting year by completing the letter from the chief financial officer described in Sec. 280.95(d) and must deliver the letter to the owner or operator. If the guarantor fails to meet the requirements of the financial test at the end of any financial reporting year, within 120 days of the end of that financial reporting year the guarantor shall send by certified mail, before cancellation or nonrenewal of the guarantee, notice to the owner or operator. If the Director of the implementing agency notifies the guarantor that he no longer meets the requirements of the financial test of Sec. 280.95 (b) or (c) and (d), the guarantor must notify the owner or operator within 10 days of receiving such notification from the Director. In both cases, the guarantee will terminate no less than 120 days after the date the owner or operator receives the notification, as evidenced by the return receipt. The owner or operator must obtain alternative coverage as specified in Sec. 280.110(c).

(c) The guarantee must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Guarantee

Guarantee made this [date] by [name of guaranteeing entity], a business entity organized under the laws of the state of [name of state], herein referred to as guarantor, to [the state implementing agency] and to any and all third parties, and obligees, on behalf of

[owner or operator] of [business address].

Recitals.

(1) Guarantor meets or exceeds the financial test criteria of 40 CFR 280.95 (b) or (c) and (d) and agrees to comply with the requirements for guarantors as specified in 40 CFR 280.96(b).

(2) [Owner or operator] owns or operates the following underground storage tank(s) covered by this guarantee: [List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22 or the corresponding state requirement, and the name and address of the facility.] This guarantee satisfies 40 CFR part 280, subpart H requirements for assuring funding for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases''; if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location] arising from operating the above-identified underground storage tank(s) in the amount of [insert dollar amount] per occurrence and [insert dollar amount] annual aggregate.

(3) [Insert appropriate phrase: ``On behalf of our subsidiary'' (if guarantor is corporate parent of the owner or operator); ``On behalf of our affiliate'' (if guarantor is a related firm of the owner or operator); or ``Incident to our business relationship with'' (if guarantor is providing the guarantee as an incident to a substantial business relationship with owner or operator)] [owner or operator], guarantor guarantees to [implementing agency] and to any and all third parties that:

In the event that [owner or operator] fails to provide alternative coverage within 60 days after receipt of a notice of cancellation of this guarantee and the [Director of the implementing agency] has determined or suspects that a release has occurred at an underground storage tank covered by this guarantee, the guarantor, upon instructions from the [Director], shall fund a standby trust fund in accordance with the provisions of 40 CFR 280.108, in an amount not to exceed the coverage limits specified above.

In the event that the [Director] determines that [owner or operator] has failed to perform corrective action for releases arising out of the operation of the above-identified tank(s) in accordance with 40 CFR part 280, subpart F, the guarantor upon written instructions from the [Director] shall fund a standby trust in accordance with the provisions of 40 CFR 280.108, in an amount not to exceed the coverage limits specified above.

If [owner or operator] fails to satisfy a judgment or award based on a determination of liability for bodily injury or property damage to third parties caused by [``sudden'' and/or ``nonsudden''] accidental releases arising from the operation of the above-identified tank(s), or fails to pay an amount agreed to in settlement of a claim arising from or alleged to arise from such injury or damage, the guarantor, upon written instructions from the [Director], shall fund a standby trust in accordance with the provisions of 40 CFR 280.108 to satisfy such judgment(s), award(s), or settlement agreement(s) up to the limits of coverage specified above.

(4) Guarantor agrees that if, at the end of any fiscal year before cancellation of this guarantee, the guarantor fails to meet the financial test criteria of 40 CFR 280.95 (b) or (c) and (d), guarantor

shall send within 120 days of such failure, by certified mail, notice to [owner or operator]. The guarantee will terminate 120 days from the date of receipt of the notice by [owner or operator], as evidenced by the return receipt.

(5) Guarantor agrees to notify [owner or operator] by certified mail of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code naming guarantor as debtor, within 10 days after commencement of the proceeding.

(6) Guarantor agrees to remain bound under this guarantee notwithstanding any modification or alteration of any obligation of [owner or operator] pursuant to 40 CFR part 280.

(7) Guarantor agrees to remain bound under this guarantee for so long as [owner or operator] must comply with the applicable financial responsibility requirements of 40 CFR part 280, subpart H for the above-identified tank(s), except that guarantor may cancel this guarantee by sending notice by certified mail to [owner or operator], such cancellation to become effective no earlier than 120 days after receipt of such notice by [owner or operator], as evidenced by the return receipt.

(8) The guarantor's obligation does not apply to any of the following:

(a) Any obligation of [insert owner or operator] under a workers' compensation, disability benefits, or unemployment compensation law or other similar law;

(b) Bodily injury to an employee of [insert owner or operator] arising from, and in the course of, employment by [insert owner or operator];

(c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;

(d) Property damage to any property owned, rented, loaded to, in the care, custody, or control of, or occupied by [insert owner or operator] that is not the direct result of a release from a petroleum underground storage tank;

(e) Bodily damage or property damage for which [insert owner or operator] is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR 280.93.

(9) Guarantor expressly waives notice of acceptance of this guarantee by [the implementing agency], by any or all third parties, or by [owner or operator].

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR 280.96(c) as such regulations were constituted on the effective date shown immediately below.

Effective date: _____

[Name of guarantor]

[Authorized signature for guarantor]

[Name of person signing]

[Title of person signing]

Signature of witness or notary:

(d) An owner or operator who uses a guarantee to satisfy the requirements of Sec. 280.93 must establish a standby trust fund when the guarantee is obtained. Under the terms of the guarantee, all amounts paid by the guarantor under the guarantee will be deposited directly into the standby trust fund in accordance with instructions from the Director of the implementing agency under Sec. 280.108. This standby trust fund must meet the requirements specified in Sec. 280.103.

Sec. 280.97 Insurance and risk retention group coverage.

(a) An owner or operator may satisfy the requirements of Sec. 290.93 by obtaining liability insurance that conforms to the requirements of this section from a qualified insurer or risk retention group. Such insurance may be in the form of a separate insurance policy or an endorsement to an existing insurance policy.

(b) Each insurance policy must be amended by an endorsement worded as specified in paragraph (b)(1) of this section, or evidenced by a certificate of insurance worded as specified in paragraph (b)(2) of this section, except that instructions in brackets must be replaced with the relevant information and the brackets deleted:

(1) Endorsement

Name: [name of each covered location]

Address: [address of each covered location]

Policy Number: _____

Period of Coverage: [current policy period]

Name of [Insurer or Risk Retention Group]:

Address of [Insurer or Risk Retention Group]:

Name of Insured: _____

Address of Insured: _____

Endorsement:

1. This endorsement certifies that the policy to which the endorsement is attached provides liability insurance covering the following underground storage tanks:

[List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22, or the corresponding state requirement, and the name and address of the facility.]

for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases''; in accordance with and subject to the limits of liability, exclusions, conditions, and other terms of the policy; if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location] arising from operating the underground storage tank(s) identified above.

The limits of liability are [insert the dollar amount of the ``each occurrence'' and ``annual aggregate'' limits of the Insurer's or Group's

liability; if the amount of coverage is different for different types of coverage or for different underground storage tanks or locations, indicate the amount of coverage for each type of coverage and/or for each underground storage tank or location], exclusive of legal defense costs, which are subject to a separate limit under the policy. This coverage is provided under [policy number]. The effective date of said policy is [date].

2. The insurance afforded with respect to such occurrences is subject to all of the terms and conditions of the policy; provided, however, that any provisions inconsistent with subsections (a) through (e) of this Paragraph 2 are hereby amended to conform with subsections (a) through (e);

a. Bankruptcy or insolvency of the insured shall not relieve the [``Insurer'' or ``Group''] of its obligations under the policy to which this endorsement is attached.

b. The [``Insurer'' or ``Group''] is liable for the payment of amounts within any deductible applicable to the policy to the provider of corrective action or a damaged third-party, with a right of reimbursement by the insured for any such payment made by the [``Insurer'' or ``Group'']. This provision does not apply with respect to that amount of any deductible for which coverage is demonstrated under another mechanism or combination of mechanisms as specified in 40 CFR 280.95-280.102.

c. Whenever requested by [a Director of an implementing agency], the [``Insurer'' or ``Group''] agrees to furnish to [the Director] a signed duplicate original of the policy and all endorsements.

d. Cancellation or any other termination of the insurance by the [``Insurer'' or ``Group''], except for non-payment of premium or misrepresentation by the insured, will be effective only upon written notice and only after the expiration of 60 days after a copy of such written notice is received by the insured. Cancellation for non-payment of premium or misrepresentation by the insured will be effective only upon written notice and only after expiration of a minimum of 10 days after a copy of such written notice is received by the insured.

[Insert for claims-made policies:

e. The insurance covers claims otherwise covered by the policy that are reported to the [``Insurer'' or ``Group''] within six months of the effective date of cancellation or non-renewal of the policy except where the new or renewed policy has the same retroactive date or a retroactive date earlier than that of the prior policy, and which arise out of any covered occurrence that commenced after the policy retroactive date, if applicable, and prior to such policy renewal or termination date. Claims reported during such extended reporting period are subject to the terms, conditions, limits, including limits of liability, and exclusions of the policy.]

I hereby certify that the wording of this instrument is identical to the wording in 40 CFR 280.97(b) (1) and that the [``Insurer'' or ``Group''] is [``licensed to transact the business of insurance or eligible to provide insurance as an excess or surplus lines insurer in one or more states''].

[Signature of authorized representative of Insurer or Risk Retention Group]

[Name of person signing]

[Title of person signing], Authorized Representative of [name of Insurer or Risk Retention Group]

[Address of Representative]

(2) Certificate of Insurance

Name: [name of each covered location]

Address: [address of each covered location]

Policy Number: _____

Endorsement (if applicable): _____

Period of Coverage: [current policy period]

Name of [Insurer or Risk Retention Group]: _____

Address of [Insurer or Risk Retention Group]: _____

Name of Insured: _____

Address of Insured: _____

Certification:

1. [Name of Insurer or Risk Retention Group], [the ``Insurer'' or ``Group''], as identified above, hereby certifies that it has issued liability insurance covering the following underground storage tank(s):

[List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22, or the corresponding state requirement, and the name and address of the facility.]

for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases''; in accordance with and subject to the limits of liability, exclusions, conditions, and other terms of the policy; if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location] arising from operating the underground storage tank(s) identified above.

The limits of liability are [insert the dollar amount of the ``each occurrence'' and ``annual aggregate'' limits of the Insurer's or Group's liability; if the amount of coverage is different for different types of coverage or for different underground storage tanks or locations, indicate the amount of coverage for each type of coverage and/or for each underground storage tank or location], exclusive of legal defense costs, which are subject to a separate limit under the policy. This coverage is provided under [policy number]. The effective date of said policy is [date].

2. The [``Insurer'' or ``Group''] further certifies the following with respect to the insurance described in Paragraph 1:

a. Bankruptcy or insolvency of the insured shall not relieve the [``Insurer'' or ``Group''] of its obligations under the policy to which this certificate applies.

b. The [``Insurer'' or ``Group''] is liable for the payment of amounts within any deductible applicable to the policy to the provider of corrective action or a damaged third-party, with a right of reimbursement by the insured for any such payment made by the [``Insurer'' or ``Group']]. This provision does not apply with respect

to that amount of any deductible for which coverage is demonstrated under another mechanism or combination of mechanisms as specified in 40 CFR 280.95-280.102.

c. Whenever requested by [a Director of an implementing agency], the [``Insurer'' or ``Group''] agrees to furnish to [the Director] a signed duplicate original of the policy and all endorsements.

d. Cancellation or any other termination of the insurance by the [``Insurer'' or ``Group''], except for non-payment of premium or misrepresentation by the insured, will be effective only upon written notice and only after the expiration of 60 days after a copy of such written notice is received by the insured. Cancellation for non-payment of premium or misrepresentation by the insured will be effective only upon written notice and only after expiration of a minimum of 10 days after a copy of such written notice is received by the insured.

[Insert for claims-made policies:

e. The insurance covers claims otherwise covered by the policy that are reported to the [``Insurer'' or ``Group''] within six months of the effective date of cancellation or non-renewal of the policy except where the new or renewed policy has the same retroactive date or a retroactive date earlier than that of the prior policy, and which arise out of any covered occurrence that commenced after the policy retroactive date, if applicable, and prior to such policy renewal or termination date. Claims reported during such extended reporting period are subject to the terms, conditions, limits, including limits of liability, and exclusions of the policy.]

I hereby certify that the wording of this instrument is identical to the wording in 40 CFR 280.97(b) (2) and that the [``Insurer'' or ``Group''] is [``licensed to transact the business of insurance, or eligible to provide insurance as an excess or surplus lines insurer, in one or more states''].

[Signature of authorized representative of Insurer]

[Type name]

[Title], Authorized Representative of [name of Insurer or Risk Retention Group]

[Address of Representative]

(c) Each insurance policy must be issued by an insurer or a risk retention group that, at a minimum, is licensed to transact the business of insurance or eligible to provide insurance as an excess or surplus lines insurer in one or more states.

[53 FR 43370, Oct. 26, 1988, as amended at 54 FR 47081, Nov. 9, 1989]

Sec. 280.98 Surety bond.

(a) An owner or operator may satisfy the requirements of Sec. 280.93 by obtaining a surety bond that conforms to the requirements of this section. The surety company issuing the bond must be among those listed as acceptable sureties on federal bonds in the latest Circular 570 of the U.S. Department of the Treasury.

(b) The surety bond must be worded as follows, except that instructions in brackets must be replaced with the relevant information and the brackets deleted:

Performance Bond

Date bond executed: _____

Period of coverage: _____

Principal: [legal name and business address of owner or operator]

Type of organization: [insert ``individual,' ' ``joint venture,' ' ``partnership,' ' or ``corporation'']

State of incorporation (if applicable):

Surety(ies): [name(s) and business address(es)]

Scope of Coverage: [List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22, or the corresponding state requirement, and the name and address of the facility. List the coverage guaranteed by the bond: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases'' ``arising from operating the underground storage tank''].

Penal sums of bond:

Per occurrence \$ _____

Annual aggregate \$ _____

Surety's bond number: _____

Know All Persons by These Presents, that we, the Principal and Surety(ies), hereto are firmly bound to [the implementing agency], in the above penal sums for the payment of which we bind ourselves, our heirs, executors, administrators, successors, and assigns jointly and severally; provided that, where the Surety(ies) are corporations acting as co-sureties, we, the Sureties, bind ourselves in such sums jointly and severally only for the purpose of allowing a joint action or actions against any or all of us, and for all other purposes each Surety binds itself, jointly and severally with the Principal, for the payment of such sums only as is set forth opposite the name of such Surety, but if no limit of liability is indicated, the limit of liability shall be the full amount of the penal sums.

Whereas said Principal is required under Subtitle I of the Resource Conservation and Recovery Act (RCRA), as amended, to provide financial assurance for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases''; if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location] arising from operating the underground storage tanks identified above, and

Whereas said Principal shall establish a standby trust fund as is required when a surety bond is used to provide such financial assurance;

Now, therefore, the conditions of the obligation are such that if the Principal shall faithfully [``take corrective action, in accordance with 40 CFR part 280, subpart F and the Director of the state implementing agency's instructions for,' ' and/or ``compensate injured third parties for bodily injury and property damage caused by'' either ``sudden'' or ``nonsudden'' or ``sudden and nonsudden''] accidental releases arising from operating the tank(s) identified above, or if the Principal shall provide alternate financial assurance, as specified in 40 CFR part 280, subpart H, within 120 days after the date the notice of cancellation is received by the Principal from the Surety(ies), then this obligation shall be null and void; otherwise it is to remain in full force and effect.

Such obligation does not apply to any of the following:

(a) Any obligation of [insert owner or operator] under a workers' compensation, disability benefits, or unemployment compensation law or other similar law;

(b) Bodily injury to an employee of [insert owner or operator] arising from, and in the course of, employment by [insert owner or operator];

(c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;

(d) Property damage to any property owned, rented, loaned to, in the care, custody, or control of, or occupied by [insert owner or operator] that is not the direct result of a release from a petroleum underground storage tank;

(e) Bodily injury or property damage for which [insert owner or operator] is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR 280.93.

The Surety(ies) shall become liable on this bond obligation only when the Principal has failed to fulfill the conditions described above.

Upon notification by [the Director of the implementing agency] that the Principal has failed to [``take corrective action, in accordance with 40 CFR part 280, subpart F and the Director's instructions,' and/or ``compensate injured third parties''] as guaranteed by this bond, the Surety(ies) shall either perform [``corrective action in accordance with 40 CFR part 280 and the Director's instructions,' and/or ``third-party liability compensation''] or place funds in an amount up to the annual aggregate penal sum into the standby trust fund as directed by [the Regional Administrator or the Director] under 40 CFR 280.108.

Upon notification by [the Director] that the Principal has failed to provide alternate financial assurance within 60 days after the date the notice of cancellation is received by the Principal from the Surety(ies) and that [the Director] has determined or suspects that a release has occurred, the Surety(ies) shall place funds in an amount not exceeding the annual aggregate penal sum into the standby trust fund as directed by [the Director] under 40 CFR 280.108.

The Surety(ies) hereby waive(s) notification of amendments to applicable laws, statutes, rules, and regulations and agrees that no such amendment shall in any way alleviate its (their) obligation on this bond.

The liability of the Surety(ies) shall not be discharged by any payment or succession of payments hereunder, unless and until such payment or payments shall amount in the annual aggregate to the penal sum shown on the face of the bond, but in no event shall the obligation of the Surety(ies) hereunder exceed the amount of said annual aggregate penal sum.

The Surety(ies) may cancel the bond by sending notice of cancellation by certified mail to the Principal, provided, however, that cancellation shall not occur during the 120 days beginning on the date of receipt of the notice of cancellation by the Principal, as evidenced by the return receipt.

The Principal may terminate this bond by sending written notice to the Surety(ies).

In Witness Whereof, the Principal and Surety(ies) have executed this Bond and have affixed their seals on the date set forth above.

The persons whose signatures appear below hereby certify that they are authorized to execute this surety bond on behalf of the Principal and Surety(ies) and that the wording of this surety bond is identical to the wording specified in 40 CFR 280.98(b) as such regulations were constituted on the date this bond was executed.

Principal

[Signature(s)]
[Names(s)]
[Title(s)]
[Corporate seal]

Corporate Surety(ies)

[Name and address]
[State of Incorporation: -----]
[Liability limit: \$-----]
[Signature(s)]
[Names(s) and title(s)]
[Corporate seal]

[For every co-surety, provide signature(s), corporate seal, and other information in the same manner as for Surety above.]

Bond premium: \$-----

(c) Under the terms of the bond, the surety will become liable on the bond obligation when the owner or operator fails to perform as guaranteed by the bond. In all cases, the surety's liability is limited to the per-occurrence and annual aggregate penal sums.

(d) The owner or operator who uses a surety bond to satisfy the requirements of Sec. 280.93 must establish a standby trust fund when the surety bond is acquired. Under the terms of the bond, all amounts paid by the surety under the bond will be deposited directly into the standby trust fund in accordance with instructions from the Director under Sec. 280.108. This standby trust fund must meet the requirements specified in Sec. 280.103.

Sec. 280.99 Letter of credit.

(a) An owner or operator may satisfy the requirements of Sec. 280.93 by obtaining an irrevocable standby letter of credit that conforms to the requirements of this section. The issuing institution must be an entity that has the authority to issue letters of credit in each state where used and whose letter-of-credit operations are regulated and examined by a federal or state agency.

(b) The letter of credit must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Irrevocable Standby Letter of Credit

[Name and address of issuing institution]
[Name and address of Director(s) of state implementing agency(ies)]

Dear Sir or Madam: We hereby establish our Irrevocable Standby Letter of Credit No. ----- in your favor, at the request and for the account of [owner or operator name] of [address] up to the aggregate amount of [in words] U.S. dollars (\$[insert dollar amount]), available upon presentation [insert, if more than one Director of a state implementing agency is a beneficiary, ``by any one of you''] of

(1) your sight draft, bearing reference to this letter of credit, No. -----, and

(2) your signed statement reading as follows: ``I certify that the amount of the draft is payable pursuant to regulations issued under authority of Subtitle I of the Resource Conservation and Recovery Act of

1976, as amended.''

This letter of credit may be drawn on to cover [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases''] arising from operating the underground storage tank(s) identified below in the amount of [in words] \$[insert dollar amount] per occurrence and [in words] \$[insert dollar amount] annual aggregate:

[List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR 280.22, or the corresponding state requirement, and the name and address of the facility.]

The letter of credit may not be drawn on to cover any of the following:

(a) Any obligation of [insert owner or operator] under a workers' compensation, disability benefits, or unemployment compensation law or other similar law;

(b) Bodily injury to an employee of [insert owner or operator] arising from, and in the course of, employment by [insert owner or operator];

(c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;

(d) Property damage to any property owned, rented, loaned to, in the care, custody, or control of, or occupied by [insert owner or operator] that is not the direct result of a release from a petroleum underground storage tank;

(e) Bodily injury or property damage for which [insert owner or operator] is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR 280.93.

This letter of credit is effective as of [date] and shall expire on [date], but such expiration date shall be automatically extended for a period of [at least the length of the original term] on [expiration date] and on each successive expiration date, unless, at least 120 days before the current expiration date, we notify [owner or operator] by certified mail that we have decided not to extend this letter of credit beyond the current expiration date. In the event that [owner or operator] is so notified, any unused portion of the credit shall be available upon presentation of your sight draft for 120 days after the date of receipt by [owner or operator], as shown on the signed return receipt.

Whenever this letter of credit is drawn on under and in compliance with the terms of this credit, we shall duly honor such draft upon presentation to us, and we shall deposit the amount of the draft directly into the standby trust fund of [owner or operator] in accordance with your instructions.

We certify that the wording of this letter of credit is identical to the wording specified in 40 CFR 280.99(b) as such regulations were constituted on the date shown immediately below.

[Signature(s) and title(s) of official(s) of issuing institution]

[Date]

This credit is subject to [insert ``the most recent edition of the Uniform Customs and Practice for Documentary Credits, published and copyrighted by the International Chamber of Commerce,' ' or ``the Uniform Commercial Code''].].

(c) An owner or operator who uses a letter of credit to satisfy the requirements of Sec. 280.93 must also establish a standby trust fund when the letter of credit is acquired. Under the terms of the letter of credit, all amounts paid pursuant to a draft by the Director of the implementing agency will be deposited by the issuing institution directly into the standby trust fund in accordance with instructions from the Director under Sec. 280.108. This standby trust fund must meet the requirements specified in Sec. 280.103.

(d) The letter of credit must be irrevocable with a term specified by the issuing institution. The letter of credit must provide that credit be automatically renewed for the same term as the original term, unless, at least 120 days before the current expiration date, the issuing institution notifies the owner or operator by certified mail of its decision not to renew the letter of credit. Under the terms of the letter of credit, the 120 days will begin on the date when the owner or operator receives the notice, as evidenced by the return receipt.

[53 FR 37194, Sept. 23, 1988, as amended at 59 FR 29960, June 10, 1994]

Sec. 280.100 Use of state-required mechanism.

(a) For underground storage tanks located in a state that does not have an approved program, and where the state requires owners or operators of underground storage tanks to demonstrate financial responsibility for taking corrective action and/or for compensating third parties for bodily injury and property damage, an owner or operator may use a state-required financial mechanism to meet the requirements of Sec. 280.93 if the Regional Administrator determines that the state mechanism is at least equivalent to the financial mechanisms specified in this subpart.

(b) The Regional Administrator will evaluate the equivalency of a state-required mechanism principally in terms of: certainty of the availability of funds for taking corrective action and/or for compensating third parties; the amount of funds that will be made available; and the types of costs covered. The Regional Administrator may also consider other factors as is necessary.

(c) The state, an owner or operator, or any other interested party may submit to the Regional Administrator a written petition requesting that one or more of the state-required mechanisms be considered acceptable for meeting the requirements of Sec. 280.93. The submission must include copies of the appropriate state statutory and regulatory requirements and must show the amount of funds for corrective action and/or for compensating third parties assured by the mechanism(s). The Regional Administrator may require the petitioner to submit additional information as is deemed necessary to make this determination.

(d) Any petition under this section may be submitted on behalf of all of the state's underground storage tank owners and operators.

(e) The Regional Administrator will notify the petitioner of his determination regarding the mechanism's acceptability in lieu of financial mechanisms specified in this subpart. Pending this determination, the owners and operators using such mechanisms will be deemed to be in compliance with the requirements of Sec. 280.93 for underground storage tanks located in the state for the amounts and types

of costs covered by such mechanisms.

[53 FR 43370, Oct. 26, 1988; 53 FR 51274, Dec. 21, 1988]

Sec. 280.101 State fund or other state assurance.

(a) An owner or operator may satisfy the requirements of Sec. 280.93 for underground storage tanks located in a state, where EPA is administering the requirements of this subpart, which assures that monies will be available from a state fund or state assurance program to cover costs up to the limits specified in Sec. 280.93 or otherwise assures that such costs will be paid if the Regional Administrator determines that the state's assurance is at least equivalent to the financial mechanisms specified in this subpart.

(b) The Regional Administrator will evaluate the equivalency of a state fund or other state assurance principally in terms of: Certainty of the availability of funds for taking corrective action and/or for compensating third parties; the amount of funds that will be made available; and the types of costs covered. The Regional Administrator may also consider other factors as is necessary.

(c) The state must submit to the Regional Administrator a description of the state fund or other state assurance to be supplied as financial assurance, along with a list of the classes of underground storage tanks to which the funds may be applied. The Regional Administrator may require the state to submit additional information as is deemed necessary to make a determination regarding the acceptability of the state fund or other state assurance. Pending the determination by the Regional Administrator, the owner or operator of a covered class of USTs will be deemed to be in compliance with the requirements of Sec. 280.93 for the amounts and types of costs covered by the state fund or other state assurance.

(d) The Regional Administrator will notify the state of his determination regarding the acceptability of the state's fund or other assurance in lieu of financial mechanisms specified in this subpart. Within 60 days after the Regional Administrator notifies a state that a state fund or other state assurance is acceptable, the state must provide to each owner or operator for which it is assuming financial responsibility a letter or certificate describing the nature of the state's assumption of responsibility. The letter or certificate from the state must include, or have attached to it, the following information: the facility's name and address and the amount of funds for corrective action and/or for compensating third parties that is assured by the state. The owner or operator must maintain this letter or certificate on file as proof of financial responsibility in accordance with Sec. 280.107(b) (5).

Sec. 280.102 Trust fund.

(a) An owner or operator may satisfy the requirements of Sec. 280.93 by establishing a trust fund that conforms to the requirements of this section. The trustee must be an entity that has the authority to act as a trustee and whose trust operations are regulated and examined by a federal agency or an agency of the state in which the fund is established.

(b) The wording of the trust agreement must be identical to the wording specified in Sec. 280.103(b) (1), and must be accompanied by a formal certification of acknowledgement as specified in Sec. 280.103(b) (2).

(c) The trust fund, when established, must be funded for the full required amount of coverage, or funded for part of the required amount of coverage and used in combination with other mechanism(s) that provide

the remaining required coverage.

(d) If the value of the trust fund is greater than the required amount of coverage, the owner or operator may submit a written request to the Director of the implementing agency for release of the excess.

(e) If other financial assurance as specified in this subpart is substituted for all or part of the trust fund, the owner or operator may submit a written request to the Director of the implementing agency for release of the excess.

(f) Within 60 days after receiving a request from the owner or operator for release of funds as specified in paragraph (d) or (e) of this section, the Director of the implementing agency will instruct the trustee to release to the owner or operator such funds as the Director specifies in writing.

Sec. 280.103 Standby trust fund.

(a) An owner or operator using any one of the mechanisms authorized by Secs. 280.96, 280.98, or 280.99 must establish a standby trust fund when the mechanism is acquired. The trustee of the standby trust fund must be an entity that has the authority to act as a trustee and whose trust operations are regulated and examined by a Federal agency or an agency of the state in which the fund is established.

(b) (1) The standby trust agreement, or trust agreement, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Trust Agreement

Trust agreement, the ``Agreement,'' entered into as of [date] by and between [name of the owner or operator], a [name of state] [insert ``corporation,'' ``partnership,'' ``association,'' or ``proprietorship''], the ``Grantor,'' and [name of corporate trustee], [insert ``Incorporated in the state of -----'' or ``a national bank''], the ``Trustee.''

Whereas, the United States Environmental Protection Agency, ``EPA,'' an agency of the United States Government, has established certain regulations applicable to the Grantor, requiring that an owner or operator of an underground storage tank shall provide assurance that funds will be available when needed for corrective action and third-party compensation for bodily injury and property damage caused by sudden and nonsudden accidental releases arising from the operation of the underground storage tank. The attached Schedule A lists the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located that are covered by the standpoint trust agreement.

[Whereas, the Grantor has elected to establish [insert either ``a guarantee,'' ``surety bond,'' or ``letter of credit''] to provide all or part of such financial assurance for the underground storage tanks identified herein and is required to establish a standby trust fund able to accept payments from the instrument (This paragraph is only applicable to the standby trust agreement.)];

Whereas, the Grantor, acting through its duly authorized officers, has selected the Trustee to be the trustee under this agreement, and the Trustee is willing to act as trustee;

Now, therefore, the Grantor and the Trustee agree as follows:

Section 1. Definitions

As used in this Agreement:

(a) The term ``Grantor'' means the owner or operator who enters into

this Agreement and any successors or assigns of the Grantor.

(b) The term ``Trustee'' means the Trustee who enters into this Agreement and any successor Trustee.

Section 2. Identification of the Financial Assurance Mechanism

This Agreement pertains to the [identify the financial assurance mechanism, either a guarantee, surety bond, or letter of credit, from which the standby trust fund is established to receive payments (This paragraph is only applicable to the standby trust agreement.)].

Section 3. Establishment of Fund

The Grantor and the Trustee hereby establish a trust fund, the ``Fund,'' for the benefit of [implementing agency]. The Grantor and the Trustee intend that no third party have access to the Fund except as herein provided. [The Fund is established initially as a standby to receive payments and shall not consist of any property.] Payments made by the provider of financial assurance pursuant to [the Director of the implementing agency's] instruction are transferred to the Trustee and are referred to as the Fund, together with all earnings and profits thereon, less any payments or distributions made by the Trustee pursuant to this Agreement. The Fund shall be held by the Trustee, IN TRUST, as hereinafter provided. The Trustee shall not be responsible nor shall it undertake any responsibility for the amount or adequacy of, nor any duty to collect from the Grantor as provider of financial assurance, any payments necessary to discharge any liability of the Grantor established by [the state implementing agency]

Section 4. Payment for [``Corrective Action'' and/or Third-Party Liability Claims']

The Trustee shall make payments from the Fund as [the Director of the implementing agency] shall direct, in writing, to provide for the payment of the costs of [insert: ``taking corrective action'' and/or compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases''] arising from operating the tanks covered by the financial assurance mechanism identified in this Agreement.

The Fund may not be drawn upon to cover any of the following:

(a) Any obligation of [insert owner or operator] under a workers' compensation, disability benefits, or unemployment compensation law or other similar law;

(b) Bodily injury to an employee of [insert owner or operator] arising from, and in the course of employment by [insert owner or operator];

(c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;

(d) Property damage to any property owned, rented, loaned to, in the care, custody, or control of, or occupied by [insert owner or operator] that is not the direct result of a release from a petroleum underground storage tank;

(e) Bodily injury or property damage for which [insert owner or operator] is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR 280.93.

The Trustee shall reimburse the Grantor, or other persons as specified by [the Director], from the Fund for corrective action

expenditures and/or third-party liability claims in such amounts as [the Director] shall direct in writing. In addition, the Trustee shall refund to the Grantor such amounts as [the Director] specifies in writing. Upon refund, such funds shall no longer constitute part of the Fund as defined herein.

Section 5. Payments Comprising the Fund

Payments made to the Trustee for the Fund shall consist of cash and securities acceptable to the Trustee.

Section 6. Trustee Management

The Trustee shall invest and reinvest the principal and income of the Fund and keep the Fund invested as a single fund, without distinction between principal and income, in accordance with general investment policies and guidelines which the Grantor may communicate in writing to the Trustee from time to time, subject, however, to the provisions of this Section. In investing, reinvesting, exchanging, selling, and managing the Fund, the Trustee shall discharge his duties with respect to the trust fund solely in the interest of the beneficiaries and with the care, skill, prudence, and diligence under the circumstances then prevailing which persons of prudence, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims; except that:

(i) Securities or other obligations of the Grantor, or any other owner or operator of the tanks, or any of their affiliates as defined in the Investment Company Act of 1940, as amended, 15 U.S.C. 80a-2(a), shall not be acquired or held, unless they are securities or other obligations of the federal or a state government;

(ii) The Trustee is authorized to invest the Fund in time or demand deposits of the Trustee, to the extent insured by an agency of the federal or state government; and

(iii) The Trustee is authorized to hold cash awaiting investment or distribution uninvested for a reasonable time and without liability for the payment of interest thereon.

Section 7. Commingling and Investment

The Trustee is expressly authorized in its discretion:

(a) To transfer from time to time any or all of the assets of the Fund to any common, commingled, or collective trust fund created by the Trustee in which the Fund is eligible to participate, subject to all of the provisions thereof, to be commingled with the assets of other trusts participating therein; and

(b) To purchase shares in any investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et seq., including one which may be created, managed, underwritten, or to which investment advice is rendered or the shares of which are sold by the Trustee. The Trustee may vote such shares in its discretion.

Section 8. Express Powers of Trustee

Without in any way limiting the powers and discretions conferred upon the Trustee by the other provisions of this Agreement or by law, the Trustee is expressly authorized and empowered:

(a) To sell, exchange, convey, transfer, or otherwise dispose of any property held by it, by public or private sale. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity or expediency of any such sale or

other disposition;

(b) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(c) To register any securities held in the Fund in its own name or in the name of a nominee and to hold any security in bearer form or in book entry, or to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities, or to deposit or arrange for the deposit of such securities in a qualified central depository even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by another person, or to deposit or arrange for the deposit of any securities issued by the United States Government, or any agency or instrumentality thereof, with a Federal Reserve bank, but the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

(d) To deposit any cash in the Fund in interest-bearing accounts maintained or savings certificates issued by the Trustee, in its separate corporate capacity, or in any other banking institution affiliated with the Trustee, to the extent insured by an agency of the federal or state government; and

(e) To compromise or otherwise adjust all claims in favor of or against the Fund.

Section 9. Taxes and Expenses

All taxes of any kind that may be assessed or levied against or in respect of the Fund and all brokerage commissions incurred by the Fund shall be paid from the Fund. All other expenses incurred by the Trustee in connection with the administration of this Trust, including fees for legal services rendered to the Trustee, the compensation of the Trustee to the extent not paid directly by the Grantor, and all other proper charges and disbursements of the Trustee shall be paid from the Fund.

Section 10. Advice of Counsel

The Trustee may from time to time consult with counsel, who may be counsel to the Grantor, with respect to any questions arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting upon the advice of counsel.

Section 11. Trustee Compensation

The Trustee shall be entitled to reasonable compensation for its services as agreed upon in writing from time to time with the Grantor.

Section 12. Successor Trustee

The Trustee may resign or the Grantor may replace the Trustee, but such resignation or replacement shall not be effective until the Grantor has appointed a successor trustee and this successor accepts the appointment. The successor trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor trustee's acceptance of the appointment, the Trustee shall assign, transfer, and pay over to the successor trustee the funds and properties then constituting the Fund. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a

successor trustee or for instructions. The successor trustee shall specify the date on which it assumes administration of the trust in writing sent to the Grantor and the present Trustee by certified mail 10 days before such change becomes effective. Any expenses incurred by the Trustee as a result of any of the acts contemplated by this Section shall be paid as provided in Section 9.

Section 13. Instructions to the Trustee

All orders, requests, and instructions by the Grantor to the Trustee shall be in writing, signed by such persons as are designated in the attached Schedule B or such other designees as the Grantor may designate by amendment to Schedule B. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. All orders, requests, and instructions by [the Director of the implementing agency] to the Trustee shall be in writing, signed by [the Director], and the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, and instructions. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor or [the director] hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor and/or [the Director], except as provided for herein.

Section 14. Amendment of Agreement

This Agreement may be amended by an instrument in writing executed by the Grantor and the Trustee, or by the Trustee and [the Director of the implementing agency] if the Grantor ceases to exist.

Section 15. Irrevocability and Termination

Subject to the right of the parties to amend this Agreement as provided in Section 14, this Trust shall be irrevocable and shall continue until terminated at the written direction of the Grantor and the Trustee, or by the Trustee and [the Director of the implementing agency], if the Grantor ceases to exist. Upon termination of the Trust, all remaining trust property, less final trust administration expenses, shall be delivered to the Grantor.

Section 16. Immunity and Indemnification

The Trustee shall not incur personal liability of any nature in connection with any act or omission, made in good faith, in the administration of this Trust, or in carrying out any directions by the Grantor or [the Director of the implementing agency] issued in accordance with this Agreement. The Trustee shall be indemnified and saved harmless by the Grantor, from and against any personal liability to which the Trustee may be subjected by reason of any act or conduct in its official capacity, including all expenses reasonably incurred in its defense in the event the Grantor fails to provide such defense.

Section 17. Choice of Law

This Agreement shall be administered, construed, and enforced according to the laws of the state of [insert name of state], or the Comptroller of the Currency in the case of National Association banks.

Section 18. Interpretation

As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement.

In Witness whereof the parties have caused this Agreement to be executed by their respective officers duly authorized and their corporate seals (if applicable) to be hereunto affixed and attested as of the date first above written. The parties below certify that the wording of this Agreement is identical to the wording specified in 40 CFR 280.103(b) (1) as such regulations were constituted on the date written above.

[Signature of Grantor]
[Name of the Grantor]
[Title]

Attest:

[Signature of Trustee]
[Name of the Trustee]
[Title]
[Seal]
[Signature of Witness]
[Name of the Witness]
[Title]
[Seal]

(2) The standby trust agreement, or trust agreement must be accompanied by a formal certification of acknowledgement similar to the following. State requirements may differ on the proper content of this acknowledgment.

State of _____

County of _____

On this [date], before me personally came [owner or operator] to me known, who, being by me duly sworn, did depose and say that she/he resides at [address], that she/he is [title] of [corporation], the corporation described in and which executed the above instrument; that she/he knows the seal of said corporation; that the seal affixed to such instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that she/he signed her/his name thereto by like order.

[Signature of Notary Public]
[Name of Notary Public]

(c) The Director of the implementing agency will instruct the trustee to refund the balance of the standby trust fund to the provider of financial assurance if the Director determines that no additional corrective action costs or third-party liability claims will occur as a result of a release covered by the financial assurance mechanism for which the standby trust fund was established.

(d) An owner or operator may establish one trust fund as the depository mechanism for all funds assured in compliance with this rule.

[53 FR 43370, Oct. 26, 1988; 53 FR 51274, Dec. 21, 1988]

Sec. 280.104 Local government bond rating test.

(a) A general purpose local government owner or operator and/or local government serving as a guarantor may satisfy the requirements of Sec. 280.93 by having a currently outstanding issue or issues of general obligation bonds of \$1 million or more, excluding refunded obligations, with a Moody's rating of Aaa, Aa, A, or Baa, or a Standard & Poor's rating of AAA, AA, A, or BBB. Where a local government has multiple outstanding issues, or where a local government's bonds are rated by both Moody's and Standard and Poor's, the lowest rating must be used to determine eligibility. Bonds that are backed by credit enhancement other than municipal bond insurance may not be considered in determining the amount of applicable bonds outstanding.

(b) A local government owner or operator or local government serving as a guarantor that is not a general-purpose local government and does not have the legal authority to issue general obligation bonds may satisfy the requirements of Sec. 280.93 by having a currently outstanding issue or issues of revenue bonds of \$1 million or more, excluding refunded issues and by also having a Moody's rating of Aaa, A, A, or Baa, or a Standard & Poor's rating of AAA, AA, A, or BBB as the lowest rating for any rated revenue bond issued by the local government. Where bonds are rated by both Moody's and Standard & Poor's, the lower rating for each bond must be used to determine eligibility. Bonds that are backed by credit enhancement may not be considered in determining the amount of applicable bonds outstanding.

(c) The local government owner or operator and/or guarantor must maintain a copy of its bond rating published within the last 12 months by Moody's or Standard & Poor's.

(d) To demonstrate that it meets the local government bond rating test, the chief financial officer of a general purpose local government owner or operator and/or guarantor must sign a letter worded exactly as follows, except that the instructions in brackets are to be replaced by the relevant information and the brackets deleted:

Letter from Chief Financial Officer

I am the chief financial officer of [insert: name and address of local government owner or operator, or guarantor]. This letter is in support of the use of the bond rating test to demonstrate financial responsibility for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage'' caused by [insert: ``sudden accidental releases'' and/or ``nonsudden accidental releases'' in the amount of at least [insert: dollar amount] per occurrence and [insert: dollar amount] annual aggregate arising from operating (an) underground storage tank(s).

Underground storage tanks at the following facilities are assured by this bond rating test: [List for each facility: the name and address of the facility where tanks are assured by the bond rating test].

The details of the issue date, maturity, outstanding amount, bond rating, and bond rating agency of all outstanding bond issues that are being used by [name of local government owner or operator, or guarantor] to demonstrate financial responsibility are as follows: [complete table]

Issue date	Maturity date	Outstanding amount	Bond rating	Rating agency
				[Moody's or Standard & Poor's]

The total outstanding obligation of [insert amount], excluding refunded bond issues, exceeds the minimum amount of \$1 million. All outstanding general obligation bonds issued by this government that have been rated by Moody's or Standard & Poor's are rated as at least investment grade (Moody's Baa or Standard & Poor's BBB) based on the most recent ratings published within the last 12 months. Neither rating service has provided notification within the last 12 months of downgrading of bond ratings below investment grade or of withdrawal of bond rating other than for repayment of outstanding bond issues.

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR Part 280.104(d) as such regulations were constituted on the date shown immediately below.

[Date] _____
 [Signature] _____
 [Name] _____
 [Title] _____

(e) To demonstrate that it meets the local government bond rating test, the chief financial officer of local government owner or operator and/or guarantor other than a general purpose government must sign a letter worded exactly as follows, except that the instructions in brackets are to be replaced by the relevant information and the brackets deleted:

Letter from Chief Financial Officer

I am the chief financial officer of [insert: name and address of local government owner or operator, or guarantor]. This letter is in support of the use of the bond rating test to demonstrate financial responsibility for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage'' caused by [insert : ``sudden accidental releases'' and/or ``nonsudden accidental releases''] in the amount of at least [insert: dollar amount] per occurrence and [insert: dollar amount] annual aggregate arising from operating (an) underground storage tank(s). This local government is not organized to provide general governmental services and does not have the legal authority under state law or constitutional provisions to issue general obligation debt.

Underground storage tanks at the following facilities are assured by this bond rating test: [List for each facility: the name and address of the facility where tanks are assured by the bond rating test].

The details of the issue date, maturity, outstanding amount, bond rating, and bond rating agency of all outstanding revenue bond issues that are being used by [name of local government owner or operator, or guarantor] to demonstrate financial responsibility are as follows:
 [complete table]

Issue date	Maturity date	Outstanding amount	Bond rating	Rating agency
				[Moody's or Standard & Poor's]

The total outstanding obligation of [insert amount], excluding refunded bond issues, exceeds the minimum amount of \$1 million. All outstanding revenue bonds issued by this government that have been rated by Moody's or Standard & Poor's are rated as at least investment grade (Moody's Baa or Standard & Poor's BBB) based on the most recent ratings

published within the last 12 months. The revenue bonds listed are not backed by third-party credit enhancement or are insured by a municipal bond insurance company. Neither rating service has provided notification within the last 12 months of downgrading of bond ratings below investment grade or of withdrawal of bond rating other than for repayment of outstanding bond issues.

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR part 280.104(e) as such regulations were constituted on the date shown immediately below.

[Date] _____
[Signature] _____
[Name] _____
[Title] _____

(f) The Director of the implementing agency may require reports of financial condition at any time from the local government owner or operator, and/or local government guarantor. If the Director finds, on the basis of such reports or other information, that the local government owner or operator, and/or guarantor, no longer meets the local government bond rating test requirements of Sec. 280.104, the local government owner or operator must obtain alternative coverage within 30 days after notification of such a finding.

(g) If a local government owner or operator using the bond rating test to provide financial assurance finds that it no longer meets the bond rating test requirements, the local government owner or operator must obtain alternative coverage within 150 days of the change in status.

[58 FR 9053, Feb. 18, 1993]

Sec. 280.105 Local government financial test.

(a) A local government owner or operator may satisfy the requirements of Sec. 280.93 by passing the financial test specified in this section. To be eligible to use the financial test, the local government owner or operator must have the ability and authority to assess and levy taxes or to freely establish fees and charges. To pass the local government financial test, the owner or operator must meet the criteria of paragraphs (b)(2) and (b)(3) of this section based on year-end financial statements for the latest completed fiscal year.

(b)(1) The local government owner or operator must have the following information available, as shown in the year-end financial statements for the latest completed fiscal year:

(i) Total revenues: Consists of the sum of general fund operating and non-operating revenues including net local taxes, licenses and permits, fines and forfeitures, revenues from use of money and property, charges for services, investment earnings, sales (property, publications, etc.), intergovernmental revenues (restricted and unrestricted), and total revenues from all other governmental funds including enterprise, debt service, capital projects, and special revenues, but excluding revenues to funds held in a trust or agency capacity. For purposes of this test, the calculation of total revenues shall exclude all transfers between funds under the direct control of the local government using the financial test (interfund transfers), liquidation of investments, and issuance of debt.

(ii) Total expenditures: Consists of the sum of general fund operating and non-operating expenditures including public safety, public

utilities, transportation, public works, environmental protection, cultural and recreational, community development, revenue sharing, employee benefits and compensation, office management, planning and zoning, capital projects, interest payments on debt, payments for retirement of debt principal, and total expenditures from all other governmental funds including enterprise, debt service, capital projects, and special revenues. For purposes of this test, the calculation of total expenditures shall exclude all transfers between funds under the direct control of the local government using the financial test (interfund transfers).

(iii) Local revenues: Consists of total revenues (as defined in paragraph (b)(1)(i) of this section) minus the sum of all transfers from other governmental entities, including all monies received from Federal, state, or local government sources.

(iv) Debt service: Consists of the sum of all interest and principal payments on all long-term credit obligations and all interest-bearing short-term credit obligations. Includes interest and principal payments on general obligation bonds, revenue bonds, notes, mortgages, judgments, and interest bearing warrants. Excludes payments on non-interest-bearing short-term obligations, interfund obligations, amounts owed in a trust or agency capacity, and advances and contingent loans from other governments.

(v) Total funds: Consists of the sum of cash and investment securities from all funds, including general, enterprise, debt service, capital projects, and special revenue funds, but excluding employee retirement funds, at the end of the local government's financial reporting year. Includes Federal securities, Federal agency securities, state and local government securities, and other securities such as bonds, notes and mortgages. For purposes of this test, the calculation of total funds shall exclude agency funds, private trust funds, accounts receivable, value of real property, and other non-security assets.

(vi) Population consists of the number of people in the area served by the local government.

(2) The local government's year-end financial statements, if independently audited, cannot include an adverse auditor's opinion or a disclaimer of opinion. The local government cannot have outstanding issues of general obligation or revenue bonds that are rated as less than investment grade.

(3) The local government owner or operator must have a letter signed by the chief financial officer worded as specified in paragraph (c) of this section.

(c) To demonstrate that it meets the financial test under paragraph (b) of this section, the chief financial officer of the local government owner or operator, must sign, within 120 days of the close of each financial reporting year, as defined by the twelve-month period for which financial statements used to support the financial test are prepared, a letter worded exactly as follows, except that the instructions in brackets are to be replaced by the relevant information and the brackets deleted:

Letter From Chief Financial Officer

I am the chief financial officer of [insert: name and address of the owner or operator]. This letter is in support of the use of the local government financial test to demonstrate financial responsibility for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage''] caused by [insert: ``sudden accidental releases'' and/or ``nonsudden accidental releases''] in the amount of at least [insert: dollar amount] per occurrence and [insert: dollar amount] annual aggregate arising from operating [an]

underground storage tank[s].

Underground storage tanks at the following facilities are assured by this financial test [List for each facility: the name and address of the facility where tanks assured by this financial test are located. If separate mechanisms or combinations of mechanisms are being used to assure any of the tanks at this facility, list each tank assured by this financial test by the tank identification number provided in the notification submitted pursuant to 40 CFR Part 280.22 or the corresponding state requirements.]

This owner or operator has not received an adverse opinion, or a disclaimer of opinion from an independent auditor on its financial statements for the latest completed fiscal year. Any outstanding issues of general obligation or revenue bonds, if rated, have a Moody's rating of Aaa, Aa, A, or Baa or a Standard and Poor's rating of AAA, AA, A, or BBB; if rated by both firms, the bonds have a Moody's rating of Aaa, Aa, A, or Baa and a Standard and Poor's rating of AAA, AA, A, or BBB.

Worksheet for Municipal Financial Test

Part I: Basic Information

1. Total Revenues

a. Revenues (dollars) -----

Value of revenues excludes liquidation of investments and issuance of debt. Value includes all general fund operating and non-operating revenues, as well as all revenues from all other governmental funds including enterprise, debt service, capital projects, and special revenues, but excluding revenues to funds held in a trust or agency capacity.

b. Subtract interfund transfers (dollars)-----

c. Total Revenues (dollars)-----

2. Total Expenditures

a. Expenditures (dollars) -----

Value consists of the sum of general fund operating and non-operating expenditures including interest payments on debt, payments for retirement of debt principal, and total expenditures from all other governmental funds including enterprise, debt service, capital projects, and special revenues.

b. Subtract interfund transfers (dollars)-----

c. Total Expenditures (dollars)-----

3. Local Revenues

a. Total Revenues (from 1c) (dollars) -----

b. Subtract total intergovernmental transfers (dollars)-----

c. Local Revenues (dollars)-----

4. Debt Service

a. Interest and fiscal charges (dollars)-----

b. Add debt retirement (dollars)-----

c. Total Debt Service (dollars)-----

5. Total Funds (Dollars)-----

(Sum of amounts held as cash and investment securities from all funds,

excluding amounts held for employee retirement funds, agency funds, and trust funds)

6. Population (Persons)-----

Part II: Application of Test

7. Total Revenues to Population

- a. Total Revenues (from 1c)-----
- b. Population (from 6)-----
- c. Divide 7a by 7b -----
- d. Subtract 417-----
- e. Divide by 5,212-----
- f. Multiply by 4.095-----

8. Total Expenses to Population

- a. Total Expenses (from 2c)-----
- b. Population (from 6)-----
- c. Divide 8a by 8b -----
- d. Subtract 524 -----
- e. Divide by 5,401-----
- f. Multiply by 4.095-----

9. Local Revenues to Total Revenues

- a. Local Revenues (from 3c)-----
- b. Total Revenues (from 1c)-----
- c. Divide 9a by 9b -----
- d. Subtract .695-----
- e. Divide by .205-----
- f. Multiply by 2.840 -----

10. Debt Service to Population

- a. Debt Service (from 4d) -----
- b. Population (from 6)-----
- c. Divide 10a by 10b -----
- d. Subtract 51 -----
- e. Divide by 1,038-----
- f. Multiply by -1.866-----

11. Debt Service to Total Revenues

- a. Debt Service (from 4d)-----
- b. Total Revenues (from 1c)-----
- c. Divide 11a by 11b -----
- d. Subtract .068 -----
- e. Divide by .259 -----
- f. Multiply by -3.533 -----

12. Total Revenues to Total Expenses

- a. Total Revenues (from 1c)-----
- b. Total Expenses (from 2c)-----
- c. Divide 12a by 12b-----
- d. Subtract .910 -----
- e. Divide by .899 -----
- f. Multiply by 3.458 -----

13. Funds Balance to Total Revenues

- a. Total Funds (from 5) -----
- b. Total Revenues (from 1c)-----
- c. Divide 13a by 13b -----
- d. Subtract .891 -----
- e. Divide by 9.156-----
- f. Multiply by 3.270 -----

14. Funds Balance to Total Expenses

- a. Total Funds (from 5)-----
- b. Total Expenses (from 2c)-----
- c. Divide 14a by 14b-----
- d. Subtract .866 -----
- e. Divide by 6.409 -----
- f. Multiply by 3.270 -----

15. Total Funds to Population -----

- a. Total Funds (from 5) -----
- b. Population (from 6)-----
- c. Divide 15a by 15b -----
- d. Subtract 270 -----
- e. Divide by 4,548 -----
- f. Multiply by 1.866 -----

16. Add 7f + 8f + 9f + 10f + 11f + 12f + 13f + 14f + 15f + 4.937-----

I hereby certify that the financial index shown on line 16 of the worksheet is greater than zero and that the wording of this letter is identical to the wording specified in 40 CFR part 280.105(c) as such regulations were constituted on the date shown immediately below.

[Date]
[Signature]
[Name]
[Title]

(d) If a local government owner or operator using the test to provide financial assurance finds that it no longer meets the requirements of the financial test based on the year-end financial statements, the owner or operator must obtain alternative coverage within 150 days of the end of the year for which financial statements have been prepared.

(e) The Director of the implementing agency may require reports of financial condition at any time from the local government owner or operator. If the Director finds, on the basis of such reports or other information, that the local government owner or operator no longer meets the financial test requirements of Sec. 280.105 (b) and (c), the owner or operator must obtain alternate coverage within 30 days after notification of such a finding.

(f) If the local government owner or operator fails to obtain alternate assurance within 150 days of finding that it no longer meets the requirements of the financial test based on the year-end financial statements or within 30 days of notification by the Director of the implementing agency that it no longer meets the requirements of the financial test, the owner or operator must notify the Director of such failure within 10 days.

[58 FR 9054, Feb. 18, 1993]

Sec. 280.106 Local government guarantee.

(a) A local government owner or operator may satisfy the requirements of Sec. 280.93 by obtaining a guarantee that conforms to the requirements of this section. The guarantor must be either the state in which the local government owner or operator is located or a local government having a "substantial governmental relationship" with the owner and operator and issuing the guarantee as an act incident to that relationship. A local government acting as the guarantor must:

(1) demonstrate that it meets the bond rating test requirement of Sec. 280.104 and deliver a copy of the chief financial officer's letter as contained in Sec. 280.104(c) to the local government owner or operator; or

(2) demonstrate that it meets the worksheet test requirements of Sec. 280.105 and deliver a copy of the chief financial officer's letter as contained in Sec. 280.105(c) to the local government owner or operator; or

(3) demonstrate that it meets the local government fund requirements of Sec. 280.107(a), Sec. 280.107(b), or Sec. 280.107(c) and deliver a copy of the chief financial officer's letter as contained in Sec. 280.107 to the local government owner or operator.

(b) If the local government guarantor is unable to demonstrate financial assurance under any of Secs. 280.104, 280.105, 280.107(a), 280.107(b), or 280.107(c), at the end of the financial reporting year, the guarantor shall send by certified mail, before cancellation or non-renewal of the guarantee, notice to the owner or operator. The guarantee will terminate no less than 120 days after the date the owner or operator receives the notification, as evidenced by the return receipt. The owner or operator must obtain alternative coverage as specified in Sec. 280.114(c).

(c) The guarantee agreement must be worded as specified in paragraph (d) or (e) of this section, depending on which of the following alternative guarantee arrangements is selected:

(1) If, in the default or incapacity of the owner or operator, the guarantor guarantees to fund a standby trust as directed by the Director of the implementing agency, the guarantee shall be worded as specified in paragraph (d) of this section.

(2) If, in the default or incapacity of the owner or operator, the guarantor guarantees to make payments as directed by the Director of the implementing agency for taking corrective action or compensating third parties for bodily injury and property damage, the guarantee shall be worded as specified in paragraph (e) of this section.

(d) If the guarantor is a state, the local government guarantee with standby trust must be worded exactly as follows, except that instructions in brackets are to be replaced with relevant information and the brackets deleted:

Local Government Guarantee With Standby Trust Made by a State

Guarantee made this [date] by [name of state], herein referred to as guarantor, to [the state implementing agency] and to any and all third parties, and obliges, on behalf of [local government owner or operator].

Recitals

(1) Guarantor is a state.

(2) [Local government owner or operator] owns or operates the following underground storage tank(s) covered by this guarantee: [List

the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR part 280 or the corresponding state requirement, and the name and address of the facility.] This guarantee satisfies 40 CFR part 280, subpart H requirements for assuring funding for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases''; if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location] arising from operating the above-identified underground storage tank(s) in the amount of [insert dollar amount] per occurrence and [insert dollar amount] annual aggregate.

(3) Guarantor guarantees to [implementing agency] and to any and all third parties that:

In the event that [local government owner or operator] fails to provide alternative coverage within 60 days after receipt of a notice of cancellation of this guarantee and the [Director of the implementing agency] has determined or suspects that a release has occurred at an underground storage tank covered by this guarantee, the guarantor, upon instructions from the [Director] shall fund a standby trust fund in accordance with the provisions of 40 CFR part 280.112, in an amount not to exceed the coverage limits specified above.

In the event that the [Director] determines that [local government owner or operator] has failed to perform corrective action for releases arising out of the operation of the above-identified tank(s) in accordance with 40 CFR part 280, subpart F, the guarantor upon written instructions from the [Director] shall fund a standby trust fund in accordance with the provisions of 40 CFR part 280.112, in an amount not to exceed the coverage limits specified above.

If [owner or operator] fails to satisfy a judgment or award based on a determination of liability for bodily injury or property damage to third parties caused by ['sudden' and/or ``nonsudden'] accidental releases arising from the operation of the above-identified tank(s), or fails to pay an amount agreed to in settlement of a claim arising from or alleged to arise from such injury or damage, the guarantor, upon written instructions from the [Director], shall fund a standby trust in accordance with the provisions of 40 CFR part 280.112 to satisfy such judgment(s), award(s), or settlement agreement(s) up to the limits of coverage specified above.

(4) Guarantor agrees to notify [owner or operator] by certified mail of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code naming guarantor as debtor, within 10 days after commencement of the proceeding.

(5) Guarantor agrees to remain bound under this guarantee notwithstanding any modification or alteration of any obligation of [owner or operator] pursuant to 40 CFR part 280.

(6) Guarantor agrees to remain bound under this guarantee for so long as [local government owner or operator] must comply with the applicable financial responsibility requirements of 40 CFR part 280, subpart H for the above identified tank(s), except that guarantor may cancel this guarantee by sending notice by certified mail to [owner or operator], such cancellation to become effective no earlier than 120 days after receipt of such notice by [owner or operator], as evidenced by the return receipt.

(7) The guarantor's obligation does not apply to any of the following:

(a) Any obligation of [local government owner or operator] under a workers' compensation, disability benefits, or unemployment compensation law or other similar law;

(b) Bodily injury to an employee of [insert: local government owner or operator] arising from, and in the course of, employment by [insert: local government owner or operator];

(c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;

(d) Property damage to any property owned, rented, loaded to, in the care, custody, or control of, or occupied by [insert: local government owner or operator] that is not the direct result of a release from a petroleum underground storage tank;

(e) Bodily damage or property damage for which [insert owner or operator] is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR part 280.93.

(8) Guarantor expressly waives notice of acceptance of this guarantee by [the implementing agency], by any or all third parties, or by [local government owner or operator],

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR part 280.106(d) as such regulations were constituted on the effective date shown immediately below.

Effective date: _____

[Name of guarantor]

[Authorized signature for guarantor]

[Name of person signing]

[Title of person signing]

Signature of witness or notary:

If the guarantor is a local government, the local government guarantee with standby trust must be worded exactly as follows, except that instructions in brackets are to be replaced with relevant information and the brackets deleted:

Local Government Guarantee With Standby Trust Made by a Local Government

Guarantee made this [date] by [name of guaranteeing entity], a local government organized under the laws of [name of state], herein referred to as guarantor, to [the state implementing agency] and to any and all third parties, and obliges, on behalf of [local government owner or operator].

Recitals

(1) Guarantor meets or exceeds [select one: the local government bond rating test requirements of 40 CFR part 280.104, the local government financial test requirements of 40 CFR part 280.105, or the local government fund under 40 CFR part 280.107(a), 280.107(b), or 280.107(c)].

(2) [Local government owner or operator] owns or operates the following underground storage tank(s) covered by this guarantee: [List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR part 280 or the corresponding state requirement, and the name and address of the facility.] This guarantee satisfies 40 CFR part 280, subpart H

requirements for assuring funding for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases''; if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location] arising from operating the above-identified underground storage tank(s) in the amount of [insert dollar amount] per occurrence and [insert: dollar amount] annual aggregate.

(3) Incident to our substantial governmental relationship with [local government owner or operator], guarantor guarantees to [implementing agency] and to any and all third parties that:

In the event that [local government owner or operator] fails to provide alternative coverage within 60 days after receipt of a notice of cancellation of this guarantee and the [Director of the implementing agency] has determined or suspects that a release has occurred at an underground storage tank covered by this guarantee, the guarantor, upon instructions from the [Director] shall fund a standby trust fund in accordance with the provisions of 40 CFR part 280.112, in an amount not to exceed the coverage limits specified above.

In the event that the [Director] determines that [local government owner or operator] has failed to perform corrective action for releases arising out of the operation of the above-identified tank(s) in accordance with 40 CFR part 280, subpart F, the guarantor upon written instructions from the [Director] shall fund a standby trust fund in accordance with the provisions of 40 CFR part 280.112, in an amount not to exceed the coverage limits specified above.

If [owner or operator] fails to satisfy a judgment or award based on a determination of liability for bodily injury or property damage to third parties caused by [``sudden'' and/or ``nonsudden''] accidental releases arising from the operation of the above-identified tank(s), or fails to pay an amount agreed to in settlement of a claim arising from or alleged to arise from such injury or damage, the guarantor, upon written instructions from the [Director], shall fund a standby trust in accordance with the provisions of 40 CFR part 280.112 to satisfy such judgment(s), award(s), or settlement agreement(s) up to the limits of coverage specified above.

(4) Guarantor agrees that, if at the end of any fiscal year before cancellation of this guarantee, the guarantor fails to meet or exceed the requirements of the financial responsibility mechanism specified in paragraph (1), guarantor shall send within 120 days of such failure, by certified mail, notice to [local government owner or operator], as evidenced by the return receipt.

(5) Guarantor agrees to notify [owner or operator] by certified mail of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code naming guarantor as debtor, within 10 days after commencement of the proceeding.

(6) Guarantor agrees to remain bound under this guarantee notwithstanding any modification or alteration of any obligation of [owner or operator] pursuant to 40 CFR part 280.

(7) Guarantor agrees to remain bound under this guarantee for so long as [local government owner or operator] must comply with the applicable financial responsibility requirements of 40 CFR part 280, subpart H for the above identified tank(s), except that guarantor may cancel this guarantee by sending notice by certified mail to [owner or operator], such cancellation to become effective no earlier than 120 days after receipt of such notice by [owner or operator], as evidenced by the return receipt.

(8) The guarantor's obligation does not apply to any of the following:

(a) Any obligation of [local government owner or operator] under a workers' compensation, disability benefits, or unemployment compensation law or other similar law;

(b) Bodily injury to an employee of [insert: local government owner or operator] arising from, and in the course of, employment by [insert: local government owner or operator];

(c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;

(d) Property damage to any property owned, rented, loaned to, in the care, custody, or control of, or occupied by [insert: local government owner or operator] that is not the direct result of a release from a petroleum underground storage tank;

(e) Bodily damage or property damage for which [insert: owner or operator] is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR part 280.93.

(9) Guarantor expressly waives notice of acceptance of this guarantee by [the implementing agency], by any or all third parties, or by [local government owner or operator].

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR part 280.106(d) as such regulations were constituted on the effective date shown immediately below.

Effective date: _____

[Name of guarantor]

[Authorized signature for guarantor]

[Name of person signing]

[Title of person signing]

Signature of witness or notary:

(e) If the guarantor is a state, the local government guarantee without standby trust must be worded exactly as follows, except that instructions in brackets are to be replaced with relevant information and the brackets deleted:

Local Government Guarantee Without Standby Trust Made by a State

Guarantee made this [date] by [name of state], herein referred to as guarantor, to [the state implementing agency] and to any and all third parties, and obliges, on behalf of [local government owner or operator].

Recitals

(1) Guarantor is a state.

(2) [Local government owner or operator] owns or operates the following underground storage tank(s) covered by this guarantee: [List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR part 280 or the corresponding state requirement, and the name and address of the facility.] This guarantee satisfies 40 CFR part 280, subpart H requirements for assuring funding for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases''; if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location] arising from

operating the above-identified underground storage tank(s) in the amount of [insert: dollar amount] per occurrence and [insert: dollar amount] annual aggregate.

(3) Guarantor guarantees to [implementing agency] and to any and all third parties and obliges that:

In the event that [local government owner or operator] fails to provide alternative coverage within 60 days after receipt of a notice of cancellation of this guarantee and the [Director of the implementing agency] has determined or suspects that a release has occurred at an underground storage tank covered by this guarantee, the guarantor, upon written instructions from the [Director] shall make funds available to pay for corrective actions and compensate third parties for bodily injury and property damage in an amount not to exceed the coverage limits specified above.

In the event that the [Director] determines that [local government owner or operator] has failed to perform corrective action for releases arising out of the operation of the above-identified tank(s) in accordance with 40 CFR part 280, subpart F, the guarantor upon written instructions from the [Director] shall make funds available to pay for corrective actions in an amount not to exceed the coverage limits specified above.

If [owner or operator] fails to satisfy a judgment or award based on a determination of liability for bodily injury or property damage to third parties caused by [``sudden'' and/or ``nonsudden''] accidental releases arising from the operation of the above-identified tank(s), or fails to pay an amount agreed to in settlement of a claim arising from or alleged to arise from such injury or damage, the guarantor, upon written instructions from the [Director], shall make funds available to compensate third parties for bodily injury and property damage in an amount not to exceed the coverage limits specified above.

(4) Guarantor agrees to notify [owner or operator] by certified mail of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code naming guarantor as debtor, within 10 days after commencement of the proceeding.

(5) Guarantor agrees to remain bound under this guarantee notwithstanding any modification or alteration of any obligation of [owner or operator] pursuant to 40 CFR part 280.

(6) Guarantor agrees to remain bound under this guarantee for so long as [local government owner or operator] must comply with the applicable financial responsibility requirements of 40 CFR part 280, subpart H for the above identified tank(s), except that guarantor may cancel this guarantee by sending notice by certified mail to [owner or operator], such cancellation to become effective no earlier than 120 days after receipt of such notice by [owner or operator], as evidenced by the return receipt. If notified of a probable release, the guarantor agrees to remain bound to the terms of this guarantee for all charges arising from the release, up to the coverage limits specified above, notwithstanding the cancellation of the guarantee with respect to future releases.

(7) The guarantor's obligation does not apply to any of the following:

(a) Any obligation of [local government owner or operator] under a workers' compensation disability benefits, or unemployment compensation law or other similar law;

(b) Bodily injury to an employee of [insert local government owner or operator] arising from, and in the course of, employment by [insert: local government owner or operator];

(c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;

(d) Property damage to any property owned, rented, loaded to, in the care, custody, or control of, or occupied by [insert: local government owner or operator] that is not the direct result of a release from a petroleum underground storage tank;

(e) Bodily damage or property damage for which [insert: owner or operator] is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR part 280.93.

(8) Guarantor expressly waives notice of acceptance of this guarantee by [the implementing agency], by any or all third parties, or by [local government owner or operator].

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR part 280.106(e) as such regulations were constituted on the effective date shown immediately below.

Effective date: _____

[Name of guarantor]

[Authorized signature for guarantor]

[Name of person signing]

[Title of person signing]

Signature of witness or notary:

If the guarantor is a local government, the local government guarantee without standby trust must be worded exactly as follows, except that instructions in brackets are to be replaced with relevant information and the brackets deleted:

Local Government Guarantee Without Standby Trust Made by a Local Government

Guarantee made this [date] by [name of guaranteeing entity], a local government organized under the laws of [name of state], herein referred to as guarantor, to [the state implementing agency] and to any and all third parties, and obliges, on behalf of [local government owner or operator].

Recitals

(1) Guarantor meets or exceeds [select one: the local government bond rating test requirements of 40 CFR part 280.104, the local government financial test requirements of 40 part CFR 280.105, the local government fund under 40 CFR part 280.107(a), 280.107(b), or 280.107(c)].

(2) [Local government owner or operator] owns or operates the following underground storage tank(s) covered by this guarantee: [List the number of tanks at each facility and the name(s) and address(es) of the facility(ies) where the tanks are located. If more than one instrument is used to assure different tanks at any one facility, for each tank covered by this instrument, list the tank identification number provided in the notification submitted pursuant to 40 CFR part 280 or the corresponding state requirement, and the name and address of the facility.] This guarantee satisfies 40 CFR part 280, subpart H requirements for assuring funding for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases''; if coverage is different for different tanks or locations, indicate the type of coverage applicable to each tank or location] arising from operating the above-identified underground storage tank(s) in the amount of [insert: dollar amount] per occurrence and [insert: dollar amount] annual aggregate.

(3) Incident to our substantial governmental relationship with [local government owner or operator], guarantor guarantees to [implementing agency] and to any and all third parties and obliges that:

In the event that [local government owner or operator] fails to provide alternative coverage within 60 days after receipt of a notice of cancellation of this guarantee and the [Director of the implementing agency] has determined or suspects that a release has occurred at an underground storage tank covered by this guarantee, the guarantor, upon written instructions from the [Director] shall make funds available to pay for corrective actions and compensate third parties for bodily injury and property damage in an amount not to exceed the coverage limits specified above.

In the event that the [Director] determines that [local government owner or operator] has failed to perform corrective action for releases arising out of the operation of the above-identified tank(s) in accordance with 40 CFR part 280, subpart F, the guarantor upon written instructions from the [Director] shall make funds available to pay for corrective actions in an amount not to exceed the coverage limits specified above.

If [owner or operator] fails to satisfy a judgment or award based on a determination of liability for bodily injury or property damage to third parties caused by ["`sudden" and/or "`nonsudden"] accidental releases arising from the operation of the above-identified tank(s), or fails to pay an amount agreed to in settlement of a claim arising from or alleged to arise from such injury or damage, the guarantor, upon written instructions from the [Director], shall make funds available to compensate third parties for bodily injury and property damage in an amount not to exceed the coverage limits specified above.

(4) Guarantor agrees that if at the end of any fiscal year before cancellation of this guarantee, the guarantor fails to meet or exceed the requirements of the financial responsibility mechanism specified in paragraph (1), guarantor shall send within 120 days of such failure, by certified mail, notice to [local government owner or operator], as evidenced by the return receipt.

(5) Guarantor agrees to notify [owner or operator] by certified mail of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code naming guarantor as debtor, within 10 days after commencement of the proceeding.

(6) Guarantor agrees to remain bound under this guarantee notwithstanding any modification or alteration of any obligation of [owner or operator] pursuant to 40 CFR part 280.

(7) Guarantor agrees to remain bound under this guarantee for so long as [local government owner or operator] must comply with the applicable financial responsibility requirements of 40 CFR part 280, subpart H for the above identified tank(s), except that guarantor may cancel this guarantee by sending notice by certified mail to [owner or operator], such cancellation to become effective no earlier than 120 days after receipt of such notice by [owner or operator], as evidenced by the return receipt. If notified of a probable release, the guarantor agrees to remain bound to the terms of this guarantee for all charges arising from the release, up to the coverage limits specified above, notwithstanding the cancellation of the guarantee with respect to future releases.

(8) The guarantor's obligation does not apply to any of the following:

(a) Any obligation of [local government owner or operator] under a workers' compensation disability benefits, or unemployment compensation law or other similar law;

(b) Bodily injury to an employee of [insert: local government owner or operator] arising from, and in the course of, employment by [insert:

local government owner or operator];

(c) Bodily injury or property damage arising from the ownership, maintenance, use, or entrustment to others of any aircraft, motor vehicle, or watercraft;

(d) Property damage to any property owned, rented, loaded to, in the care, custody, or control of, or occupied by [insert: local government owner or operator] that is not the direct result of a release from a petroleum underground storage tank;

(e) Bodily damage or property damage for which [insert: owner or operator] is obligated to pay damages by reason of the assumption of liability in a contract or agreement other than a contract or agreement entered into to meet the requirements of 40 CFR part 280.93.

(9) Guarantor expressly waives notice of acceptance of this guarantee by [the implementing agency], by any or all third parties, or by [local government owner or operator],

I hereby certify that the wording of this guarantee is identical to the wording specified in 40 CFR part 280.106(e) as such regulations were constituted on the effective date shown immediately below.

Effective date: _____

[Name of guarantor]

[Authorized signature for guarantor]

[Name of person signing]

[Title of person signing]

Signature of witness or notary:

[58 FR 9056, Feb. 18, 1993]

Sec. 280.107 Local government fund.

A local government owner or operator may satisfy the requirements of Sec. 280.93 by establishing a dedicated fund account that conforms to the requirements of this section. Except as specified in paragraph (b), a dedicated fund may not be commingled with other funds or otherwise used in normal operations. A dedicated fund will be considered eligible if it meets one of the following requirements:

(a) The fund is dedicated by state constitutional provision, or local government statute, charter, ordinance, or order to pay for taking corrective action and for compensating third parties for bodily injury and property damage caused by accidental releases arising from the operation of petroleum underground storage tanks and is funded for the full amount of coverage required under Sec. 280.93, or funded for part of the required amount of coverage and used in combination with other mechanism(s) that provide the remaining coverage; or

(b) The fund is dedicated by state constitutional provision, or local government statute, charter, ordinance, or order as a contingency fund for general emergencies, including taking corrective action and compensating third parties for bodily injury and property damage caused by accidental releases arising from the operation of petroleum underground storage tanks, and is funded for five times the full amount of coverage required under Sec. 280.93, or funded for part of the required amount of coverage and used in combination with other mechanism(s) that provide the remaining coverage. If the fund is funded for less than five times the amount of coverage required under Sec. 280.93, the amount of financial responsibility demonstrated by the fund may not exceed one-fifth the amount in the fund; or

(c) The fund is dedicated by state constitutional provision, or local government statute, charter, ordinance or order to pay for taking corrective action and for compensating third parties for bodily injury and property damage caused by accidental releases arising from the operation of petroleum underground storage tanks. A payment is made to

the fund once every year for seven years until the fund is fully-funded. This seven year period is hereafter referred to as the ``pay-in-period.'' The amount of each payment must be determined by this formula:

TF-CF

Y

Where TF is the total required financial assurance for the owner or operator, CF is the current amount in the fund, and Y is the number of years remaining in the pay-in-period, and;

(1) The local government owner or operator has available bonding authority, approved through voter referendum (if such approval is necessary prior to the issuance of bonds), for an amount equal to the difference between the required amount of coverage and the amount held in the dedicated fund. This bonding authority shall be available for taking corrective action and for compensating third parties for bodily injury and property damage caused by accidental releases arising from the operation of petroleum underground storage tanks, or

(2) The local government owner or operator has a letter signed by the appropriate state attorney general stating that the use of the bonding authority will not increase the local government's debt beyond the legal debt ceilings established by the relevant state laws. The letter must also state that prior voter approval is not necessary before use of the bonding authority.

(d) To demonstrate that it meets the requirements of the local government fund, the chief financial officer of the local government owner or operator and/or guarantor must sign a letter worded exactly as follows, except that the instructions in brackets are to be replaced by the relevant information and the brackets deleted:

Letter from Chief Financial Officer

I am the chief financial officer of [insert: name and address of local government owner or operator, or guarantor]. This letter is in support of the use of the local government fund mechanism to demonstrate financial responsibility for [insert: ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage'' caused by [insert: ``sudden accidental releases'' and/or ``nonsudden accidental releases'' in the amount of at least [insert: dollar amount] per occurrence and [insert: dollar amount] annual aggregate arising from operating (an) underground storage tank(s).

Underground storage tanks at the following facilities are assured by this local government fund mechanism: [List for each facility: the name and address of the facility where tanks are assured by the local government fund].

[Insert: ``The local government fund is funded for the full amount of coverage required under Sec. 280.93, or funded for part of the required amount of coverage and used in combination with other mechanism(s) that provide the remaining coverage.'' or ``The local government fund is funded for ten times the full amount of coverage required under Sec. 280.93, or funded for part of the required amount of coverage and used in combination with other mechanisms(s) that provide the remaining coverage,'' or ``A payment is made to the fund once every year for seven years until the fund is fully-funded and [name of local government owner or operator] has available bonding authority, approved

through voter referendum, of an amount equal to the difference between the required amount of coverage and the amount held in the dedicated fund'' or ``A payment is made to the fund once every year for seven years until the fund is fully-funded and I have attached a letter signed by the State Attorney General stating that (1) the use of the bonding authority will not increase the local government's debt beyond the legal debt ceilings established by the relevant state laws and (2) that prior voter approval is not necessary before use of the bonding authority''].

The details of the local government fund are as follows:
Amount in Fund (market value of fund at close of last fiscal year): _____
[If fund balance is incrementally funded as specified in
Sec. 280.107(c), insert:
Amount added to fund in the most recently completed fiscal year: _____
Number of years remaining in the pay-in period: -----]

A copy of the state constitutional provision, or local government statute, charter, ordinance or order dedicating the fund is attached.

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 280.107(d) as such regulations were constituted on the date shown immediately below.

[Date]
[Signature]
[Name]
[Title]

[58 FR 9059, Feb. 18, 1993]

Sec. 280.108 Substitution of financial assurance mechanisms by owner or operator.

(a) An owner or operator may substitute any alternate financial assurance mechanisms as specified in this subpart, provided that at all times he maintains an effective financial assurance mechanism or combination of mechanisms that satisfies the requirements of Sec. 280.93.

(b) After obtaining alternate financial assurance as specified in this subpart, an owner or operator may cancel a financial assurance mechanism by providing notice to the provider of financial assurance.

[53 FR 43370, Oct. 26, 1988. Redesignated at 58 FR 9051, Feb. 18, 1993]

Sec. 280.109 Cancellation or nonrenewal by a provider of financial assurance.

(a) Except as otherwise provided, a provider of financial assurance may cancel or fail to renew an assurance mechanism by sending a notice of termination by certified mail to the owner or operator.

(1) Termination of a local government guarantee, a guarantee, a surety bond, or a letter of credit may not occur until 120 days after the date on which the owner or operator receives the notice of termination, as evidenced by the return receipt.

(2) Termination of insurance or risk retention coverage, except for non-payment or misrepresentation by the insured, or state-funded assurance may not occur until 60 days after the date on which the owner or operator receives the notice of termination, as evidenced by the return receipt. Termination for non-payment of premium or misrepresentation by the insured may not occur until a minimum of 10 days after the date on which the owner or operator receives the notice of termination, as evidenced by the return receipt.

(b) If a provider of financial responsibility cancels or fails to

renew for reasons other than incapacity of the provider as specified in Sec. 280.114, the owner or operator must obtain alternate coverage as specified in this section within 60 days after receipt of the notice of termination. If the owner or operator fails to obtain alternate coverage within 60 days after receipt of the notice of termination, the owner or operator must notify the Director of the implementing agency of such failure and submit:

- (1) The name and address of the provider of financial assurance;
- (2) The effective date of termination; and
- (3) The evidence of the financial assistance mechanism subject to the termination maintained in accordance with Sec. 280.107(b).

[58 FR 9051, Feb. 18, 1993]

Sec. 280.110 Reporting by owner or operator.

(a) An owner or operator must submit the appropriate forms listed in Sec. 280.111(b) documenting current evidence of financial responsibility to the Director of the implementing agency:

(1) Within 30 days after the owner or operator identifies a release from an underground storage tank required to be reported under Sec. 280.53 or Sec. 280.61;

(2) If the owner or operator fails to obtain alternate coverage as required by this subpart, within 30 days after the owner or operator receives notice of:

(i) Commencement of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming a provider of financial assurance as a debtor,

(ii) Suspension or revocation of the authority of a provider of financial assurance to issue a financial assurance mechanism,

(iii) Failure of a guarantor to meet the requirements of the financial test,

(iv) Other incapacity of a provider of financial assurance; or

(3) As required by Sec. 280.95(g) and Sec. 280.109(b).

(b) An owner or operator must certify compliance with the financial responsibility requirements of this part as specified in the new tank notification form when notifying the appropriate state or local agency of the installation of a new underground storage tank under Sec. 280.22.

(c) The Director of the Implementing Agency may require an owner or operator to submit evidence of financial assurance as described in Sec. 280.111(b) or other information relevant to compliance with this subpart at any time.

[58 FR 9051, Feb. 18, 1993]

Sec. 280.111 Recordkeeping.

(a) Owners or operators must maintain evidence of all financial assurance mechanisms used to demonstrate financial responsibility under this subpart for an underground storage tank until released from the requirements of this subpart under Sec. 208.113. An owner or operator must maintain such evidence at the underground storage tank site or the owner's or operator's place of work. Records maintained off-site must be made available upon request of the implementing agency.

(b) An owner or operator must maintain the following types of evidence of financial responsibility:

(1) An owner or operator using an assurance mechanism specified in Secs. 280.95 through 280.100 or Sec. 280.102 or Secs. 280.104 through 280.107 must maintain a copy of the instrument worded as specified.

(2) An owner or operator using a financial test or guarantee, or a

local government financial test or a local government guarantee supported by the local government financial test must maintain a copy of the chief financial officer's letter based on year-end financial statements for the most recent completed financial reporting year. Such evidence must be on file no later than 120 days after the close of the financial reporting year.

(3) An owner or operator using a guarantee, surety bond, or letter of credit must maintain a copy of the signed standby trust fund agreement and copies of any amendments to the agreement.

(4) A local government owner or operator using a local government guarantee under Sec. 280.106(d) must maintain a copy of the signed standby trust fund agreement and copies of any amendments to the agreement.

(5) A local government owner or operator using the local government bond rating test under Sec. 280.104 must maintain a copy of its bond rating published within the last twelve months by Moody's or Standard & Poor's.

(6) A local government owner or operator using the local government guarantee under Sec. 280.106, where the guarantor's demonstration of financial responsibility relies on the bond rating test under Sec. 280.104 must maintain a copy of the guarantor's bond rating published within the last twelve months by Moody's or Standard & Poor's.

(7) An owner or operator using an insurance policy or risk retention group coverage must maintain a copy of the signed insurance policy or risk retention group coverage policy, with the endorsement or certificate of insurance and any amendments to the agreements.

(8) An owner or operator covered by a state fund or other state assurance must maintain on file a copy of any evidence of coverage supplied by or required by the state under Sec. 280.101(d).

(9) An owner or operator using a local government fund under Sec. 280.107 must maintain the following documents:

(i) A copy of the state constitutional provision or local government statute, charter, ordinance, or order dedicating the fund, and

(ii) Year-end financial statements for the most recent completed financial reporting year showing the amount in the fund. If the fund is established under Sec. 280.107(a) (3) using incremental funding backed by bonding authority, the financial statements must show the previous year's balance, the amount of funding during the year, and the closing balance in the fund.

(iii) If the fund is established under Sec. 280.107(a) (3) using incremental funding backed by bonding authority, the owner or operator must also maintain documentation of the required bonding authority, including either the results of a voter referendum (under Sec. 280.107(a) (3) (i)), or attestation by the State Attorney General as specified under Sec. 280.107(a) (3) (ii).

(10) A local government owner or operator using the local government guarantee supported by the local government fund must maintain a copy of the guarantor's year-end financial statements for the most recent completed financial reporting year showing the amount of the fund.

(11) (i) An owner or operator using an assurance mechanism specified in Secs. 280.95 through 280.107 must maintain an updated copy of a certification of financial responsibility worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Certification of Financial Responsibility

[Owner or operator] hereby certifies that it is in compliance with the requirements of subpart H of 40 CFR part 280.

The financial assurance mechanism(s) used to demonstrate financial responsibility under subpart H of 40 CFR part 280 is (are) as follows:

[For each mechanism, list the type of mechanism, name of issuer, mechanism number (if applicable), amount of coverage, effective period of coverage and whether the mechanism covers ``taking corrective action'' and/or ``compensating third parties for bodily injury and property damage caused by'' either ``sudden accidental releases'' or ``nonsudden accidental releases'' or ``accidental releases.'']

[Signature of owner or operator]
[Name of owner or operator]
[Title]
[Date]
[Signature of witness or notary]
[Name of witness or notary]
[Date]

(ii) The owner or operator must update this certification whenever the financial assurance mechanism(s) used to demonstrate financial responsibility change(s).

[58 FR 9051, Feb. 18, 1993]

Sec. 280.112 Drawing on financial assurance mechanisms.

(a) Except as specified in paragraph (d) of this section, the Director of the implementing agency shall require the guarantor, surety, or institution issuing a letter of credit to place the amount of funds stipulated by the Director, up to the limit of funds provided by the financial assurance mechanism, into the standby trust if:

(1) (i) The owner or operator fails to establish alternate financial assurance within 60 days after receiving notice of cancellation of the guarantee, surety bond, letter of credit, or, as applicable, other financial assurance mechanism; and

(ii) The Director determines or suspects that a release from an underground storage tank covered by the mechanism has occurred and so notifies the owner or operator or the owner or operator has notified the Director pursuant to subparts E or F of a release from an underground storage tank covered by the mechanism; or

(2) The conditions of paragraph (b) (1) or (b) (2) (i) or (ii) of this section are satisfied.

(b) The Director of the implementing agency may draw on a standby trust fund when:

(1) The Director makes a final determination that a release has occurred and immediate or long-term corrective action for the release is needed, and the owner or operator, after appropriate notice and opportunity to comply, has not conducted corrective action as required under 40 CFR part 280, subpart F; or

(2) The Director has received either:

(i) Certification from the owner or operator and the third-party liability claimant(s) and from attorneys representing the owner or operator and the third-party liability claimant(s) that a third-party liability claim should be paid. The certification must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted:

Certification of Valid Claim

The undersigned, as principals and as legal representatives of [insert: owner or operator] and [insert: name and address of third-party claimant], hereby certify that the claim of bodily injury [and/or] property damage caused by an accidental release arising from operating

[owner's or operator's] underground storage tank should be paid in the amount of \$[-----].

[Signatures]

Owner or Operator
Attorney for Owner or Operator
(Notary)
Date

[Signatures]

Claimant(s)
Attorney(s) for Claimant(s)
(Notary)
Date

or (ii) A valid final court order establishing a judgment against the owner or operator for bodily injury or property damage caused by an accidental release from an underground storage tank covered by financial assurance under this subpart and the Director determines that the owner or operator has not satisfied the judgment.

(c) If the Director of the implementing agency determines that the amount of corrective action costs and third-party liability claims eligible for payment under paragraph (b) of this section may exceed the balance of the standby trust fund and the obligation of the provider of financial assurance, the first priority for payment shall be corrective action costs necessary to protect human health and the environment. The Director shall pay third-party liability claims in the order in which the Director receives certifications under paragraph (b)(2)(i) of this section, and valid court orders under paragraph (b)(2)(ii) of this section.

(d) A governmental entity acting as guarantor under Sec. 280.106(e), the local government guarantee without standby trust, shall make payments as directed by the Director under the circumstances described in Sec. 280.112 (a), (b), and (c).

[58 FR 9052, Feb. 18, 1993]

Sec. 280.113 Release from the requirements.

An owner or operator is no longer required to maintain financial responsibility under this subpart for an underground storage tank after the tank has been properly closed or, if corrective action is required, after corrective action has been completed and the tank has been properly closed as required by 40 CFR part 280, subpart G.

[53 FR 43370, Oct. 26, 1988. Redesignated at 58 FR 9051, Feb. 18, 1993]

Sec. 280.114 Bankruptcy or other incapacity of owner or operator or provider of financial assurance.

(a) Within 10 days after commencement of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming an owner or operator as debtor, the owner or operator must notify the Director of the implementing agency by certified mail of such commencement and submit the appropriate forms listed in Sec. 280.111(b) documenting current financial responsibility.

(b) Within 10 days after commencement of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming a guarantor providing financial assurance as debtor, such guarantor must notify the owner or operator by certified mail of such commencement as required under the terms of the guarantee specified in Sec. 280.96.

(c) Within 10 days after commencement of a voluntary or involuntary

proceeding under Title 11 (Bankruptcy), U.S. Code, naming a local government owner or operator as debtor, the local government owner or operator must notify the Director of the implementing agency by certified mail of such commencement and submit the appropriate forms listed in Sec. 280.111(b) documenting current financial responsibility.

(d) Within 10 days after commencement of a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code, naming a guarantor providing a local government financial assurance as debtor, such guarantor must notify the local government owner or operator by certified mail of such commencement as required under the terms of the guarantee specified in Sec. 280.106.

(e) An owner or operator who obtains financial assurance by a mechanism other than the financial test of self-insurance will be deemed to be without the required financial assurance in the event of a bankruptcy or incapacity of its provider of financial assurance, or a suspension or revocation of the authority of the provider of financial assurance to issue a guarantee, insurance policy, risk retention group coverage policy, surety bond, letter of credit, or state-required mechanism. The owner or operator must obtain alternate financial assurance as specified in this subpart within 30 days after receiving notice of such an event. If the owner or operator does not obtain alternate coverage within 30 days after such notification, he must notify the Director of the implementing agency.

(f) Within 30 days after receipt of notification that a state fund or other state assurance has become incapable of paying for assured corrective action or third-party compensation costs, the owner or operator must obtain alternate financial assurance.

[58 FR 9053, Feb. 18, 1993]

Sec. 280.115 Replenishment of guarantees, letters of credit, or surety bonds.

(a) If at any time after a standby trust is funded upon the instruction of the Director of the implementing agency with funds drawn from a guarantee, local government guarantee with standby trust, letter of credit, or surety bond, and the amount in the standby trust is reduced below the full amount of coverage required, the owner or operator shall by the anniversary date of the financial mechanism from which the funds were drawn:

(1) Replenish the value of financial assurance to equal the full amount of coverage required, or

(2) Acquire another financial assurance mechanism for the amount by which funds in the standby trust have been reduced.

(b) For purposes of this section, the full amount of coverage required is the amount of coverage to be provided by Sec. 280.93 of this subpart. If a combination of mechanisms was used to provide the assurance funds which were drawn upon, replenishment shall occur by the earliest anniversary date among the mechanisms.

[58 FR 9053, Feb. 18, 1993]

Sec. 280.116 Suspension of enforcement. [Reserved]

STORAGE TANK FINANCIAL RESPONSIBILITY REQUIREMENTS

ABOVEGROUND TANKS	REGULATED SIZES	REGULATED PRODUCTS	FINANCIAL RESPONSIBILITY REQUIRED	ELIGIBLE FOR FPLRIP	APPLICABLE STATUTES/RULES	FEDERAL REQUIREMENT
<p>An aboveground <u>stationary</u> device designed to store pollutants and the volume of which (include integral piping) is <u>less than</u> 10% beneath the surface of the ground.</p> <p>* EXCLUDES: - LP Gas Tanks. - Tanks less 30,000 gallons storing heating oil for on site consumption. - Hazardous Waste Tanks.</p> <p>*SEE 62-762.301, FAC</p>	<p>Greater than or equal to 551 gallons</p>	<p>Pollutants:</p> <ul style="list-style-type: none"> * Motor Fuels * Lubricating Oils * Naphtha * Distillates * Waste Oil * Blends or Mixtures or Byproducts of oil or gas <p>- Pesticides - Ammonia and Chlorine</p> <p>compounds and derivatives there of.</p>	<p>Petroleum Only (Petroleum based pollutants*)</p> <p>Required until tanks are properly closed.</p> <p>(Tank capacities in gallons) Tanks > 550 & ≤ 10,000 \$500 k / \$1 mm Tanks > 10,000 & ≤ 30,000 \$1 mm / \$1 mm Tanks > 30,000 & ≤ 250,000 \$1 mm / \$2 mm Tanks > 250,000 \$3 mm / \$6 mm</p> <p>Use of any EPA approved mechanism for USTs allowed.</p> <p>Deadline 1/1/95</p>	<p>Petroleum Products Only</p> <p>- Primarily Motor Fuels - S.376.301, F.S.</p>	<p>S. 376.3072, F.S. S. 377.19(11), F.S. Chapter 62-761, FAC</p>	<p>NONE</p>
UNDERGROUND TANKS	REGULATED SIZES	REGULATED PRODUCTS	FINANCIAL RESPONSIBILITY REQUIRED	ELIGIBLE FOR FPLRIP	APPLICABLE STATUTES/RULES	FEDERAL REQUIREMENT
<p>An underground stationary device designed to store regulated substances and the volume of which (including integral piping) is more than 10% beneath the surface of the ground.</p> <p>*EXCLUDES: - LP Gas Tanks. - Agricultural tanks - 550 gallons or less - Heating oil tanks for on site consumption - Hazardous Waste Tanks. - Residential Tanks.</p> <p>*SEE 62-761.300, FAC</p>	<p>Greater than 110 gallons</p>	<p>Regulated Substances:</p> <ul style="list-style-type: none"> - Motor Fuels - Residual Oils - Waste Oil - Lubricants - Petroleum Solvents - Petroleum - Based substances and any substance defined in S.101(14) CERCLA (1980) 	<p>Petroleum Products Only:</p> <ul style="list-style-type: none"> - Motor Fuels - Distillates - Residual Oils - Waste Oil - Lubricants - Petroleum Solvents - Petroleum based substances <p>Reference 40 CFR Part 280</p> <p><u>ALL DEADLINES PAST</u> 2/18/94</p>	<p>Petroleum Products Only</p> <p>- Primarily Motor Fuels - S.376.301, F.S.</p>	<p>S. 376.3072, F.S. S.101(14)CERCLA(1980) Chapter 62-761, FAC</p>	<p>40 CFR Part 280</p>



Florida Department of Environmental Protection
 Twin Towers Office Bldg. • 2600 Blair Stone Road • Tallahassee, Florida 32399-2400
Division of Waste Management
Bureau of Petroleum Storage Systems

Storage Tank Facility Compliance Inspection Report

Facility ID **County** **Inspection Date**
Facility Name **Facility Type**
Latitude ° ' " **Longitude** ° ' " **L/L Method**

Check box to identify type of inspection performed. Update latitude/longitude as necessary. Provide Lat/Long Determination Method. ("Map", "AGPS" (Magellan), "GGPS" (Trimble). Provide the count of USTs - ASTs - Mineral Acid tanks reviewed <i>during this inspection</i>	# USTs Inspected	<input type="text"/>	# ATSS Inspected	<input type="text"/>	# Mineral Acid Tks Inspected	<input type="text"/>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------	----------------------	------------------	----------------------	------------------------------	----------------------

COMPLIANCE ASSURANCE INSPECTIONS

Compliance Inspection (Annual)	TCI	<input type="checkbox"/>	Discharge Project – Short Form Evaluation (TCI not req'd)	TDI	<input type="checkbox"/>
Compliance Inspection (DRF received)	TCDI	<input type="checkbox"/>	Compliance Inspection (Quality Assurance)	TCQA	<input type="checkbox"/>
Compliance Inspection (Complaint received)	TCPI	<input type="checkbox"/>	TERMINAL FACILITY - FUEL IS DISPENSED OVER WATER		
Installation Inspection	TIN	<input type="checkbox"/>	Discharge Prevention & Response Inspection	DRPI	<input type="checkbox"/>
Closure Inspection	TXI	<input type="checkbox"/>	Discharge Prevention & Response Certificate Issued	YES	NO
Compliance Re-Inspection	TCR	<input type="checkbox"/>	DPRC Certificate Number: # <input type="text"/>		

Rule Cite	Inspector's Comments / Violation Description	Violation Code

Financial Responsibility – Verify owner's coverage. Select coverage type; provide *Carrier* or *Mechanism* info, as appropriate.

None Insurance Other coverage meets federal financial responsibility requirements
 Insurance Carrier: _____ Effective Date: _____ Expiration Date: _____ (if applicable)
 Other Mechanism: _____ Effective Date: _____ Expiration Date: _____ (if applicable)

Based upon the inspection results and information provided by the owner/operator, this facility appears to meet the requirements of Florida Administrative Code 62-761 and/or 62-762. Yes No CWOE – Compliance without Enforcement

A re-inspection will be scheduled on or after _____ days to verify correction of the non-compliance items noted.

Storage Tank Program Office	Storage Tank Program Office Phone Number
Inspector Name – Please Print	Facility Representative Name – Please Print
Inspector Signature & Date	Facility Representative Signature & Date

