

**MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
REMEDATION AND REDEVELOPMENT DIVISION**

Contact the C&E Section prior to use.

FINANCIAL ASSURANCE MECHANISMS

Date: 1/12/2010

**Financial Assurance Mechanisms: The Financial Test and
Financial Test/Corporate Guarantee**

Appendix A

STANDARD FINANCIAL TEST

The figures for the following items marked with an (*) are to be identified as to the source of the information for the company. The preferred source is the independently audited year-end financial statements from the latest fiscal year. Also create a header for this document identifying the purpose and parties represented by the standard financial test. This test must be renewed thirty days following the close and publication of financial information or an alternative financial assurance document is to be provided to the MDEQ.

ALTERNATIVE I

1. Sum of the current cost estimates for response activities needed at Michigan facilities, including the cost for the performance of response activities required pursuant to the Order/Decree for the next 30-year time period. \$ _____
2. Sum of the current cost estimates for response activities needed at non-Michigan facilities. \$ _____
3. Sum of lines 1 and 2. \$ _____
- *4. Total liabilities [if any portion of the cost estimates for response activities (lines 1 or 2) is included in total liabilities, you may deduct that amount from this line and add that amount to lines 5 and 6]. \$ _____
- *5. Tangible net worth. \$ _____
- *6. Net worth. \$ _____

STANDARD FINANCIAL TEST

- *7. Current assets. \$ _____
- *8. Current liabilities. \$ _____
- 9. Net working capital [line 7 minus line 8]. \$ _____
- *10. The sum of net income plus depreciation, depletion and amortization. \$ _____
- *11. Total assets in the United States. \$ _____
- *12. Total assets in Michigan, excluding the value of all real property on which response activities are necessary. \$ _____
- *13. Total assets in Michigan, including the value of all real property on which response activities are necessary. \$ _____

YES NO

- 14. Is line 5 at least \$10 million? _____
- 15. Is line 5 at least 6 times line 3? _____
- 16. Is line 9 at least 6 times line 3? _____
- *17. Are at least 90% of the company's assets located in the United States? If not, complete line 18. _____
- 18. Is line 11 at least 6 times line 3? _____
- 19. Is line 4 divided by line 6 less than 2.0? _____
- 20. Is line 10 divided by line 4 greater than 0.1? _____
- 21. Is line 7 divided by line 8 greater than 1.5? _____
- *22. Is line 12 at least \$50 million? _____
- 23. Is line 13 at least 6 times line 1? _____

To "pass" Alternative I of the standard financial test, the company must meet two out of three of the ratios listed in lines 19, 20, and 21, must meet the criterion of either line 17 or line 18, and must meet the criteria listed in lines 14, 15, 16, 22, and 23.

ALTERNATIVE II

1. Sum of the current cost estimates for response activities needed at Michigan facilities, including the cost to perform the response activities required pursuant to the Order/Decree for the next 30-year time period. \$ _____
 2. Sum of the current cost estimates for response activities needed at non-Michigan facilities. \$ _____
 3. Sum of lines 1 and 2. \$ _____
 4. Current bond rating of most recent issuance for this company and name of rating service. \$ _____
 5. Date of issuance of bond. \$ _____
 6. Date of maturity of bond. \$ _____
 - *7. Tangible net worth (if any portion of the cost estimates for response activities (lines 1 and 2) is included in "total liabilities" on your financial statements, you may add that portion to this line). \$ _____
 - *8. Total assets in the United States. \$ _____
 - *9. Total assets in Michigan, excluding the value of all real property on which response activities are necessary. \$ _____
 - *10. Total assets in Michigan, including the value of all real property on which response activities are necessary. \$ _____
-
- | | YES | NO |
|--|-----|-----|
| 11. Is line 7 at least \$10 million? | ___ | ___ |
| 12. Is line 7 at least 6 times line 3? | ___ | ___ |
| *13. Are at least 90% of company's assets located in the United States?
If not, complete line 14. | ___ | ___ |
| 14. Is line 8 at least 6 times line 3? | ___ | ___ |
| *15. Is line 9 at least \$50 million? | ___ | ___ |
| 16. Is line 10 at least 6 times line 1? | ___ | ___ |

STANDARD FINANCIAL TEST

To “pass” Alternative II of the standard financial test, the company must have a current rating for the most recent bond issuance of AAA, AA, A, or BBB for Standard and Poor’s or Aaa, Aa, A, or Baa for Moody’s, must meet the criterion of either line 13 or line 14, and must meet the criteria listed in lines 11, 12, 15, and 16.

[Insert the following at the end of the SFT that you choose to use]

I hereby certify that the wording of this form is a true copy of the model financial test provided by the Michigan Department of Environmental Quality (MDEQ), with the exception of any changes made and agreed to by representatives of the MDEQ and **[name of company]**.

Chief Financial Officer

Name of Company

Date: _____

Signed and sealed in the presence of:

NOTARY PUBLIC

Notary Public _____ County
My Commission Expires _____