



**MINISTRY OF WATER, LAND AND AIR PROTECTION**  
Environmental Protection Division

**Name of procedure:**

Financial Security for Contaminated Sites

**Staff affected:**

Ministry of Water, Land and Air Protection Contaminated Sites Program staff

**Authority:**

*Waste Management Act*  
*Financial Administration Act*  
*Bonding Act*

**Purpose of procedure:**

This procedure provides guidance as to whether security may be required and for determining the type, amount and timing of such security.

**Relationship to previous procedure:**

None

**Cross-references:**

- 1) Ministry of Finance. General Management Operating Policy Manual.
- 2) Corporate Services Division. Financial Guarantees – Policy, January 29, 2003.

**Recommended by:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
Deputy Director of Waste Management

**Issued by:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
Assistant Deputy Minister  
Environmental Protection Division

## 1.0 Definitions:

Act means the *Waste Management Act*.

contaminated sites legal instrument means one of the following: approval in principle, certificate of compliance, conditional certificate of compliance, remediation order, voluntary remediation agreement as defined under the *Act*.

financial risk means the risk to government of incurring financial costs to remediate contaminated sites where responsible persons are unwilling or unable to fund remediation.

financial security means one, or a combination, of the following in the amount and under terms as specified by the director:

- irrevocable letters of credit
- security deposits including short-term deposits
- registered bonds
- treasury bill notes
- bank drafts
- money orders
- certified cheques
- cash
- payments under the self-funding security alternative described in subsection 6.6 of this procedure
- any other type of security acceptable to the director under this procedure.

ministry means the Ministry of Water Land and Air Protection.

one-time capital costs means those costs associated with purchase of equipment, installation of equipment, construction of buildings and other permanent structures, one-time consultant services, architect services, laboratory expenses, fencing, hauling, excavation, costs of expert advice, costs of environmental engineers, etc. which normally occur at the beginning of the remediation process.

periodic costs means those costs expected to occur less frequently than annually but at predictable periods, which generally occur after the initial one-time capital costs have been incurred and relate to costs such as capital improvements to existing structures, costs of a five year review, payment for external experts and contractors (e.g. engineering advice to maintain the ordered remedial option), laboratory costs, periodic soil testing, inspection, etc.

recurring (annual) expenses and costs means those costs for operation and maintenance, labour, materials, on-going contract services, performance and site monitoring, off-site

treatment/disposal, project management, insurance, technical support, etc., that may recur from year to year and are expressed on an annual basis.

Regulation means the Contaminated Sites Regulation (BC Reg 375/96).

A number of terms used in this procedure have the same meaning they are provided in the *Act* and Regulation. These include “approval in principle”, “contaminated site”, “certificate of compliance”, conditional certificate of compliance”, “director”, “remediation order”, “responsible person”, and “voluntary remediation agreement”.

## 2.0 General:

### 2.1 Legal and Regulatory Authority

The following parts of the *Act* and Regulation authorize the provision of security for contaminated sites.

1. A remediation order may require a (responsible person) to do all or any of the following:
  - (c) give security in an amount and form which can include real and personal property, subject to conditions the manager specifies” [*Act* section 27.1 (2)]
2. A manager may, on request by a responsible person, including a minor contributor, enter into a voluntary remediation agreement consisting of:
  - (c) security in an amount and form which may include real and personal property, subject to conditions the manager specifies [*Act* section 27.4 (1)]
3. A manager, in accordance with the regulations, may issue a certificate of compliance with respect to remediation of a contaminated site if:
  - (b) any security in an amount and form, which may include real and personal property, required by the manager has been provided relative to the management of substances remaining on site [*Act* section 27.6 (2)]
4. A manager, in accordance with the regulations, may issue a conditional certificate of compliance with respect to remediation of a contaminated site if:
  - (d) any security in an amount and form, which may include real and personal property, required by the manager has been provided relative to the management of substances remaining on site [*Act* section 27.6 (3)]
5. A manager may require financial security if:
  - (a) a significant risk could arise from conditions at a contaminated site because

- (i) the site is left in an unremediated state, or
  - (ii) the site is remediated using risk based standards but requires ongoing management and monitoring of contamination which is left on site, and
- (b) a covenant under section 219 of the *Land Title Act* . . . [Regulation section 48(4)]

6. Financial security may also be required in issuing an approval in principle. [Regulation subsection 47 (3) (f)].

## 2.2 Purpose

Financial security can be used as a tool by the ministry to manage the financial risks that may be associated with contaminated sites. Financial risk to the province can occur if there is a possibility that the province may incur contaminated site remediation costs for the protection of the environment or human health, or for the restoration or remediation of the environment.

## 2.3 Guiding Principles

The following principles guide the application of this financial security procedure:

- The director is responsible for determining whether security is required, and if so the amount and form of security.
- Each site presents a unique set of circumstances which must be considered when the director is determining financial security requirements.
- In determining the financial security requirements for a site, financial security precedents set by the ministry should be reviewed to promote consistent decision making.
- Any required financial security should be subject to review a) when requested by either the director or the person posting the security, and b) at a minimum of every five years and a maximum of every year.
- This procedure is not intended to act as a barrier to parties performing timely remediation.
- Government is always exposed to some financial risk so it is unreasonable to attempt to reduce this risk to zero.
- Security requirements should be consistent, equitable and effective.
- Security is not needed for work that is currently being conducted by a responsible person, but this need not preclude the director requiring security for on-going operating and maintenance costs when risk-based remediation is being carried out at high-risk contaminated sites.
- A responsible person should have the option of taking a business review test to qualify for an alternative form of financial security, where a portion of the total

security required is paid annually into a trust fund.

### 3.0 Whether Security Is Required

The following shall be followed to determine if security is required for a contaminated site. A decision tree has been provided in Figure 1 to illustrate these steps.

**Step 1: Decision: Is the site a high-risk contaminated site?**

The director will consider financial security only for a high risk contaminated site. In this step, evidence that the site is not a high risk site must be submitted to, checked by, and approved by the director in order for the exemption to apply.

**Step 2: Decision: Is financial security in place under the *Mines Act*?**

If a site were subject to a permit under the *Mines Act*, administered by the Ministry of Energy and Mines (MEM), then, unless specifically requested by MEM to review the *Mines Act* financial security, the site would not be subject to a requirement for financial security under the *Waste Management Act*.

**Step 3: Decision: Is the only responsible person a government body?**

As a general rule, government bodies, including a federal, provincial or municipal body, an agency or ministry of the Crown in right of Canada or British Columbia or an agency of a municipality, are exempt from the requirement for financial security under this procedure. However, a request for financial security from a government agency would be appropriate when:

- the government body is part of a pool of responsible parties or;
- the government body is a Crown corporation which has been determined to be a responsible person in its own right.

**Step 4: Decision: Has a remediation plan been approved for the site?**

If a remediation plan has been approved by a ministry official and is being implemented, it is not necessary to require financial security. However, if a remediation plan has not been approved by the official, then the requirement for financial security shall be considered under formula 1.

**Step 5: Decision: Is the remediation plan being implemented effectively?**

A remediation plan approved by the a ministry official will include time frames, expected milestones and reporting requirements. The director shall review, at least annually, the actual results compared to those expected in order to consider the effectiveness of the implementation of the remediation

plan. If the remediation plan is not being implemented effectively, then a requirement for financial security should be considered under formula 1.

**Step 6: Decision: Does the remediation plan use risk-based standards and require ongoing management and monitoring of contamination?**

If a remediation plan is being implemented effectively and there will be no ongoing maintenance or operation at the site, then financial security shall not be required. If ongoing management of a site is required due to contamination remaining, financial security, subject to Step 7, shall be considered based on formula 2.

**Step 7: Decision: Should financial security be required at this time with consideration being given to Section 48(4) of the Regulation?**

Section 48(4) of the Regulation includes issues that shall be considered before financial security is requested. They include:

- the significance of any risks from conditions at the site because a) the site is unremediated or b) the site is remediated using the risk-based approach and requires ongoing management and monitoring of and remaining contamination, and
- the effectiveness of a covenant under section 219 of the *Land Title Act* in ensuring that necessary remediation is carried out at the site.

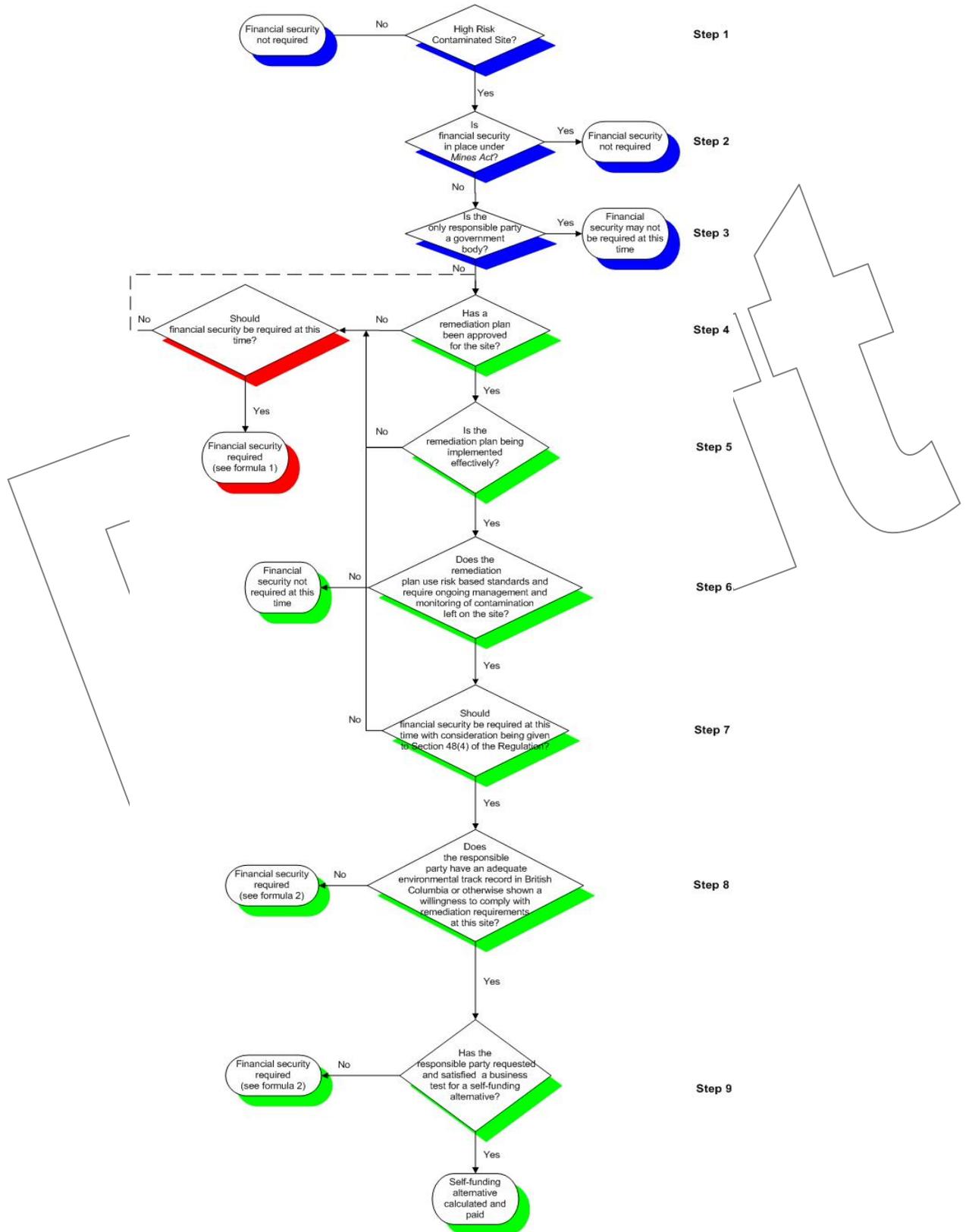
**Step 8: Decision: Does the responsible person have an adequate environmental record in British Columbia or has he or she been willing to comply with remediation requirements at this site?**

Some considerations would include whether the responsible person has been convicted of violations involving pollution discharges for related problems identified in a remediation order, has missed deadlines in previous remediation orders, and is in compliance with any contaminated sites legal instrument for the subject site. If the responsible person has an acceptable environmental record and has been willing to comply with ministry requirements for the site, then financial security is likely unnecessary.

**Step 9: Decision: Has the responsible person requested and satisfied the business test for the self-funding financial security alternative?**

If yes, then the responsible person has the option of paying a non-refundable fee as financial security. If the responsible person has not passed the business test, or would prefer to post a different form of financial security, then the level of financial security required is calculated based on Formula 2 (see section 5.4).

**Figure 1. Contaminated Sites Security Decision Tree**



#### **4.0 Determination of Remediation Costs**

- 4.1 The responsible person must provide an estimate of the costs of remediation that includes, but is not limited to, one-time capital costs and any periodic and recurring ongoing operating and maintenance costs. A calculation of these costs is required in order to determine the level of financial security required.
- 4.2 Remediation cost estimates shall assume that the work will be carried out by a third party contractor.
- 4.3 If the responsible person is unwilling or unable to generate site remediation cost estimates to the satisfaction of the director, the director shall arrange to have a third party do so at the expense of the responsible person or require the responsible person to do so under a remediation order.
- 4.4 The responsible person must provide all pertinent material and information used to calculate estimated future site remediation costs.
- 4.5 The director may develop alternate cost estimates for remediation of a site.
- 4.6 If the cost estimates of the director and those of the responsible person vary by less than 10 percent, then the lower of the estimates may be used as a basis for determining the amount of financial security required. If the cost estimates vary by 10 percent or more, then a negotiated agreement shall be sought, but if a negotiated agreement cannot be achieved, the director's cost shall apply.

#### **5.0 Calculation of the Amount of Financial Security Required**

- 5.1 The director shall review all estimates of costs of remediation prepared by responsible persons for accuracy, completeness and reasonableness. Such estimates shall include, but not be limited to:
- capital and other one-time costs including their replacement time-frames
  - recurring costs (annual and periodic costs)
  - planning period of the remediation process
  - discount rates used
  - time frames, deadlines and plans that will be implemented in order to carry out site remediation.
- 5.2 The amount of the required financial security shall be based on the least-cost remedial alternative as long as the proposed remediation plan, remedial option or remediation technique is acceptable to the director. If the director and

responsible person(s) cannot agree on the alternative remediation options or the least cost option, the director shall make a final determination of the value of the costs and the amount of financial security required.

### **5.3 Formula 1: Remediation Not Progressing as Required or No Acceptable Remediation Plan**

5.3.1 If financial security is required because a remediation plan acceptable to a ministry official has not been developed or remediation is not progressing as required, then the amount of the financial security required will be calculated to include:

- the estimated one-time capital costs to build and install containment and control system(s); and/or
- the estimated on-going recurring expenses and periodic costs to operate and monitor and maintain any [containment and control?] systems developed; and/or
- removal and disposal costs for contaminated soil that must be removed in order to remediate the site to acceptable standards.

5.3.2 The above calculation includes the costs that would be required for the Crown or a third party to bring the site into compliance with the terms and conditions of any contaminated sites legal instrument.

5.3.3 The amount of financial security required shall equal 100% of the one-time capital costs plus the present value of the total operation and maintenance costs over the entire planning period specified in the contaminated sites legal instrument.

### **5.4 Formula 2: Ongoing Containment and Control**

5.4.1 If financial security is required as part of an ongoing management system for contamination left onsite in accordance with a ministry approved remediation plan, financial security shall be calculated based on 100% of the following costs:

- the estimated one-time capital costs to build and install containment and control system(s); and
- estimated ongoing recurring and periodic costs to operate and monitor and maintain any systems developed.

5.4.2 The planning period for calculation purposes is limited to 30 years.

## 5.5 Fluctuations

- 5.5.1 Present value calculations inherently assume that funds invested will grow with interest over time and that the “costs” or payments per year occur at a standard rate. This is not always the case, for example where operating costs change once systems are in place, if improvements are made or if security is a letter of credit.
- 5.5.2 The changing level of security required over time depending on the nature of security payments must be kept in mind when calculating the amount of financial security required. (See Appendix B in reference 2 for an illustration.).

## 5.6 Present Value

### 5.6.1 Effects of Inflation

Where costs of remediation are incurred in future years and these costs are included in the present value of the financial security required, these future costs shall be adjusted to account for the effects of inflation.

- 5.6.2 For estimating future one-time capital costs and annual operating and maintenance costs, the annual inflation rates used shall be drawn from Canada’s most recent Consumer Price Index (CPI), or the average of the past 10 years CPI, whichever is lower.
- 5.6.3 Calculations to inflate future costs on an annual basis shall be based on the following formulas:

$$FAC_n = AC_n * (1 + f)^n$$

$$FOC_n = OCN * (1 + f)^n$$

Where:

FAC<sub>n</sub> = future (inflated) recurring costs expended in year n and the initial year is n = 0

FOC<sub>n</sub> = future (inflated) capital and other one-time costs expended in year n and the initial year n = 0

AC<sub>n</sub> = annual recurring costs in year n; where the costs in the initial year are not inflated)

OC<sub>n</sub> = capital and other one-time costs in year n

n = a specific year, where n ranges from 0 to the (t - 1)th year

t = number of years in the planning period (no greater than 30 for formula 2 )

f = inflation rate expressed as a percentage where f is always greater than 0 but less than 1 ???

### 5.6.4 Calculation of Present Value

The present value of one-time capital and other one-time items and of recurring and periodic costs over the planning period shall be computed using the following formula:

$$PV = \sum (\text{sum of}) [ (FAC_n + FOC_n) * (1/(1+r)^n) ]$$

Where:

PV = present value of all costs over the contaminated sites legal instrument period

FAC<sub>n</sub> = the future (inflated) annual operating and maintenance costs expended in year n

FOC<sub>n</sub> = the future (inflated) capital costs expended in year n

r = the discount rate

n = a specific year designated 0, 1, 2, etc. up to a pre-specified final year (t-1)th year

t = number of years in the covered under the planning process (maximum 30 years under formula 2)

### 5.6.5 Discount Rate

The discount rate to be used in the present value formula above shall be a rate consistent with the form of financial security chosen and the time period specified in the contaminated sites legal instrument.

The maximum discount rate used shall be based upon the rate of return for Government of Canada 30-year bond yields, as published in the journal *Bank of Canada Review* or other respected financial reporting publication such as the *Globe and Mail* newspaper.

## 6.0 Forms of Security

6.1 Acceptable forms of financial security are defined in section 1.0 of this procedure under the definition of "financial security".

6.2 In addition to the specific forms of financial security listed in this definition, there may be situations where a responsible person may wish to post alternative types of financial security such as performance or surety bonds.

6.3 In these situations, the responsible person must prepare a written request to the director outlining the reasons for the request to vary the type of financial security.

6.4 The director shall review each request on an individual basis. The arguments posed by the responsible person must be sufficiently compelling in order for the director to vary the type of financial security accepted.

6.5 An analysis of the alternative types of security requested shall be performed either by the director or an independent third party, at the expense of the responsible person.

#### **6.6 Self-Funding Financial Security Alternative**

6.6.1 A responsible person who passes both parts of the business test for the self-funding financial security alternative may pay an annual amount equal to 1% of the financial security that would otherwise be required as calculated under formula 2.

6.6.2 The first part of the business test consists of a questionnaire whose format is shown in Appendix 1. The second part is a report from the responsible person's auditor, whose format is shown in Appendix 2.

6.6.3 The business test shall be considered passed if the responses to questions 9 to 11, 14 to 16, and if applicable question 13, are all "yes".

6.6.4 The annual payment for the self-funding financial security alternative shall be non-refundable.

6.6.5 An updated business test must be completed and submitted to the director each year, at least 60 days prior to the anniversary date of the director's agreement to accept the self funding financial security alternative, in order for the responsible person to continue to qualify for the alternative.

6.6.6 The business review test may also be prepared and submitted by a parent company of a subsidiary which is considered to be a responsible person if the parent company formally accepts in writing the whole financial responsibility of the subsidiary with respect to the subject contaminated site. The parental agreement with respect to financial responsibility must be submitted and formally accepted by the director in order for the subsidiary and its parent company to pass the business review test.

#### **7.0 Diminishment of Assets**

7.1 Subject to section 37 of the Regulation, a responsible person for a site who is required to provide security under a contaminated sites legal instrument, shall be required in the legal instrument that he or she must not, without notifying the manager, offer the site for sale, proceed with bankruptcy proceedings, or knowingly do anything that diminishes or reduces assets that could be used to satisfy the terms and conditions of a contaminated sites legal instrument.

7.2 In the case of a remediation order the responsible person must obtain consent from a manager before diminishing or reducing the assets [Act 27.1 (7)].

## 8.0 Periodic Reviews of Financial Security

8.1 The director shall carry out a review of the financial security for a site at least every five-years and no more than once per year.

8.2 A responsible person providing financial security for a site shall be required to forward to the director annually a copy of his or her firm's most recently audited annual financial statements along with a copy of the firm's signed annual report.

8.3 If the self funding financial security alternative is being used, the responsible person for the site must pass the business review test annually. The responsible person must forward the completed documents from Appendices 1 and 2 for the applicable year to the director on the anniversary of the director's acceptance of the self funding alternative for the responsible person.

8.4 For projects where costs are changing significantly, the director shall perform a financial security review more frequently than every five years. The review shall include an analysis of the adjusted projected costs of the project in relation to the actual costs incurred to date, and shall analyse these costs in relation to the current value of the financial security provided.

8.5 On an annual basis, the director or the responsible person posting the financial security may request a review of the amount of financial security required to be posted. Adjustments may be required or approved by the director.

8.6 If government bonds or other debt instruments are used as financial security, then the value of these instruments shall be reviewed at least every three years and their value compared with the level of financial security required. Adjustments in the value of these debt instruments may be required.

8.7 When issuing a contaminated sites legal instrument, ministry officials shall provide terms and conditions requiring the periodic review of financial security, to ensure that adequate funds are available for the remediation requirements specified in the instrument.

## 9.0 Default

9.1 The conditions that can cause financial security to be called shall be clearly specified in the contaminated sites legal instrument. These conditions may include but are not limited to the following:

- The responsible person for reasons within his or her control misses three successive deadlines in a schedule of requirements provided in a contaminated sites legal instrument.
- After one-half of the time allocated to the implementation of remediation schedule referred to in a contaminated sites legal instrument has elapsed, or after two years, whichever is earlier, the responsible person can provide no evidence (i.e., work orders, invoices, inspections etc.) of progress to comply with the conditions of the contaminated sites legal instrument.
- The responsible person has violated a specific contaminated sites legal instrument or any other order or statute in relation to the site.
- The responsible person or the guarantor becomes bankrupt, files a Notice of Intention or files a Proposal under the *Bankruptcy and Insolvency Act*.

9.2 Financial security held in a non-cash form shall be converted to cash as soon as possible whenever the financial security becomes impaired. Examples include when notice is received of the proposed cancellation or non-renewal of a letter of credit or of some other form of financial security, and an acceptable alternative form of security has not been arranged.

9.3 Where possible the director shall give the responsible person at least 30 days notice of any action to use the financial security.

9.4 The director must prepare documentation that specifies the circumstances of the default as soon as possible after determination of a default is made and forward this information to the responsible person.

9.5 If security has been given in the form of cash, bonds, letter of credit, or similar security, the director may claim all or part of the security. The security shall be placed in a designated account.

9.6 Where financial security has been realized and is to be used to complete remediation as specified in a contaminated sites legal instrument, expenditures on remediation of the site shall not be made unless authorized by the director.

9.7 Where it is not feasible to use outside contractors to complete activities as required by the contaminated sites legal instrument, the director shall realize the security and withhold any funds until compliance is achieved. In the meantime, other enforcement and compliance actions may be undertaken.

## **10.0 Administrative Procedures for Specific Types of Financial Security**

10.1 Individual characteristics and administrative instructions for each type of financial security are addressed generally under the Financial Guarantees - Policy.

### **10.2 Procedures for administering cash**

10.2.1 Certified cheques made out to the Minister of Finance shall be submitted to the director.

10.2.2 The cheques shall be deposited into a account in accordance with applicable legislation and relevant government procedures and policies.

10.2.3 If financial security is to be built up through payments over time, payments may be based on a per-unit price (e.g. \$ per tone of hazardous material) or an amortization payment calculated to accumulate to a total amount by a specific time in accordance with section 5.5.2 of this procedure.

10.2.4 Applications for refunds of financial security shall be sent to the director.

10.2.5 The director shall maintain records of all deposits of financial security and issue reports regularly as required under government policy. Reports on each account shall include, at minimum, the following:

- payments into and out of each account,
- accrued interest, and
- opening and closing balances.

### **10.3 Procedures for administering irrevocable letters of credit**

10.3.1 Only irrevocable letters of credit from financial institutions empowered to issue such instruments with business offices in BC may be accepted.

10.3.2 Irrevocable letters of credit shall be retained by the director.

10.3.3 An irrevocable letter of credit will normally specify an expiry date.

- 10.3.4 Where security is required for a period longer than the expiry date of the irrevocable letter of credit, the letter of credit shall state that it would be renewed automatically.
- 10.3.5 An irrevocable letter of credit shall not be renewed if the director advises the financial institution in writing that renewal is not required.
- 10.3.6 If notice of intent not to renew a letter of credit is given by the financial institution, alternative security satisfactory to the director must be posted at least 30 days before the letter's expiry date.
- 10.3.7 If alternative security is not posted as required in section 10.3.6 or notice not to renew a letter of credit is given with no alternative security posted, the existing irrevocable letter of credit will be called and the proceeds are to be administered as a cash form of financial security.
- 10.3.8 Any contaminated sites legal instrument shall provide that, where non-cash security (e.g. letter of credit, surety bonds, agreements, etc.) is provided and appropriate arrangements are not made for its renewal or replacement at time of expiry, then cash security shall be immediately posted in lieu of the non-cash instrument.
- 10.3.9 The director shall maintain records of all irrevocable letters of credit and prepare reports semi-annually, or more frequently, as required under government policy.
- 10.3.10 As remediation is undertaken and, at the request of the responsible person, the director will notify the financial institution by letter as to the status of the remediation and security requirements; e.g. whether the amount of the irrevocable letter of credit can be reduced, or that the irrevocable letter of credit is to be released. If it is to be released, the original letter of credit and any required supporting documents are to be returned to the financial institution.
- 10.3.11 Drawings on letters of credit and reductions in, or release of irrevocable letters of credit shall be authorized by the director only after notification is made to the responsible person.
- 10.3.12 A responsible person is responsible for all fees and charges associated with the irrevocable letter of credit.

#### **10.4 Procedures for administering the use of eligible government bonds as financial security**

- 10.4.1 Bonds are considered debt instruments issued or guaranteed by the Government of Canada (excluding Canada Savings Bonds) or a provincial government and shall be distinguished from surety or performance bonds.
- 10.4.2 Bonds used as a security shall have a maturity date that is not more than three years from the date on which they are provided as security.
- 10.4.3 Bonds must be in bearer form or they must be transferred to the Government of British Columbia.
- 10.4.4 Bonds shall be retained by the director.
- 10.4.5 The director shall report annually or more frequently on bonds he retains for financial security, as required under government policy.
- 10.4.6 The director shall monitor the value of the bonds at least quarterly.
- 10.4.7 If the value of the bonds on deposit falls to less than 85 percent of the required security for a site, the director may require the responsible person to provide additional security.
- 10.4.8 The director may make arrangements with persons who have posted a bond as security, the bond is maturing or interest is due and payable, to accept a substitute bond as security. If no substitutions are made and a bond matures or interest payments are received, the proceeds shall be deposited and administered as a cash form of financial security.

#### **11.0 References**

- 1) Grant Thornton, Security Policy Guidance for Contaminated Sites: Findings, Report prepared for the Ministry of Water, Land and Air Protection , May 28, 2003.
- 2) Grant Thornton, Security Policy Guidance for Contaminated Sites: Decision Matrix, Report prepared for the Ministry of Water, Land and Air Protection , May 28, 2003.

**Appendix 1.**  
**Letter of Application to Qualify for the Self Funding  
Financial Security Alternative for Contaminated Sites**

Date:  
File No.:

Director  
Environmental Management Branch  
Ministry of Water, Land and Air Protection  
PO Box  
Victoria BC V8W

Dear [*name of current director*]:

I am the chief financial officer of [*name and address of firm*]. This letter is in support of our use of the self funding alternative for financial security for risk-managed contaminated sites for which we are considered a responsible person under the *Waste Management Act*.

This firm is the owner, operator or otherwise responsible party of the following sites for which financial security is required:

- name and address of site 1
- name and address of site 2
- name and address of site 3

The fiscal year of this firm ends on [*month, day*]. I am submitting the attached table "Annual Financial Business Test for Financial Security for Contaminated Sites" to apply to use the self funding financial security alternative for the above sites. Please note that items marked with an asterisk in the table are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended [*date*] and which are also attached.

I am submitting to you the annual fee payable to the Minister of Finance, an amount of \$\_\_\_\_\_ which represents 1% of the net present value of the remediation costs for the above sites determined by the application of formula 2 of the Ministry of Water, Land and Air Protection's procedure "Financial Security for Contaminated Sites, dated mm/dd/yyyy.

I certify that the information provided in the attached statement is accurate based on the most recently prepared financial information dated \_\_\_\_\_ and I have not knowingly submitted any information that is false, inaccurate or incomplete.

[Signature] [Name] [Title]

## Annual Financial Business Test for Financial Security for Contaminated Sites

Firm: \_\_\_\_\_ Date: \_\_\_\_\_

Person completing test: \_\_\_\_\_ Title: \_\_\_\_\_

Line	Item	Amount (\$)	Response to Question <i>[enter yes or no]</i>	Derived from Year End Audit? <i>[enter yes or no]</i>	Threshold Criterion Response	Meets Criterion? <i>[enter yes or no]</i>
1	The sum of current cost estimates for remediation, as agreed to by the director or waste management for which our firm is responsible is <i>[enter current cost estimates for remediation of all firm's sites in British Columbia]</i>					
2	Total liabilities <i>[if any portion of the cost estimate above is included in total liabilities, you may deduct the amount of that portion from this line and add that amount to lines 3 and 4]</i>					
3	Total equity including retained earnings					
4	Current assets					
5	Current liabilities					
6	Net working capital <i>[line 4 minus line 5]</i>					
7	Net income before taxes and amortization					
8	Total assets in Canada (required only if less than 90% of firm's assets are located in Canada)					
9	Is line 3 at least \$10 million?				yes	
10	Is line 3 at least 10 times line 1?				yes	
11	Is line 6 at least 6 times line 1?				yes	
12	Are at least 90% of firm's assets located in Canada? If not, complete line 13.					
13	Is line 8 at least 10 times line 1?				yes, if applicable	
14	Is line 2 divided by line 3 less than 2.0?				yes	
15	Is line 7 divided by line 2 greater than 0.1?				yes	
16	Is line 4 divided by line 5 greater than 1.5?				yes	

**Appendix 2.**  
**Report from Responsible Person's Auditor in Support of**  
**an Application to Qualify Under the Business Review Test for**  
**Contaminated Sites Financial Security**

Date:  
File No.:

Director  
Environmental Management Branch  
Ministry of Water, Land and Air Protection  
PO Box  
Victoria BC V8W

Dear [*name of current director*]:

Auditors' Report

on \_\_\_\_\_

To \_\_\_\_\_

At the request of \_\_\_\_\_ we have audited the Schedules of \_\_\_\_\_ of \_\_\_\_\_ for the year ended \_\_\_\_\_. This financial information is the responsibility of the management of \_\_\_\_\_ Ltd. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable financial security whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the \_\_\_\_\_ of \_\_\_\_\_, for the year ended \_\_\_\_\_ in accordance with Canadian generally accepted accounting principles.

[Signature] [Company] [title] [date]