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## RCRA/SUPERFUND HOTLINE MONTHLY SUMMARY

NOVEMBER 87

### 3. Financial Assurance

Corporation A owns 100% of the voting shares of corporation B. Corporation B owns over 50% of the voting share of corporation C. Can corporation A fulfill the requirements as a parent company of corporation C for the purpose of financial assurance, via corporation guarantee as required in Section 264.143, 264.145, 265.143 and 265.145?

In this situation corporation A is a "grandparent" corporation which indirectly owns over 50% of the voting shares of corporation C. Corporation A does not fulfill the definition of a parent corporation stated in Section 264.141(d) (see April 7, 1982 Federal Register, 47 FR 15037) as: "A corporation which directly owns at least 50% of the voting stock of the corporation which is the facility owner or operator; the latter corporation which is deemed a "subsidiary" of the parent corporation."

The Agency adopted this definition to ensure that the connection between the two firms will be close and direct, and the parent company is likely to have a strong interest in the satisfactory performance of the subsidiary.

Since corporation A is not a parent corporation, it may not be used to demonstrate financial assurance via a corporate guarantee for corporation C.

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