

Exhibit 1

Glossary of Terms

Commercial underground storage tanks are regulated underground storage tank systems with underground piping connected to a tank with at least 10% of its combined volume underground.

Commercial Fund (or the Commercial Leaking Petroleum UST Cleanup Fund) is a non-reverting, revolving fund established by North Carolina to pay for cleanup costs and third-party liability resulting from a petroleum spill or leak from a commercial underground storage tank. Access to the trust fund requires that UST owners demonstrate their ability to pay the fund deductible using a financial assurance mechanism, such as insurance or letters of credit.

Noncommercial underground storage tanks are non-regulated underground storage tanks including farm or residential motor fuel tanks with a capacity of 1,100 gallons or less, heating oil tanks with a capacity of 1,100 gallons or less, and heating oil tanks with a capacity greater than 1,100 gallons serving one to four households.

Noncommercial Fund (or the Noncommercial Leaking Petroleum UST Cleanup Fund) is a non-reverting, revolving fund established to pay for cleanup costs and third-party liability resulting from a petroleum spill or leak from a noncommercial underground storage tank.

Cleanup describes actions taken to restore the environment after a petroleum spill or leak occurs.

Corrective action describes the process for cleaning up environmental damage resulting from a petroleum spill or leak from an underground storage tank including initial site assessment, site characterization, environmental indicators, and selection and implementation of the remedy.

Incident is any petroleum release of more than 25 gallons or any release of less than 25 gallons that causes a sheen on surface water or cannot be cleaned up within 24 hours.

Third-party compensation is paid by the Commercial and Noncommercial Funds for bodily injury and property damages in excess of \$100,000.

Financial assurance demonstrates adequate funds will be available to conduct the necessary cleanup of a petroleum spill or leak from an underground storage tank.

Financial responsibility requires commercial tank owners to have a financial assurance mechanism or a combination of mechanisms to pay for the cost of cleanup and third-party damages resulting from a petroleum spill or leak from an underground storage tank.

Orphan sites are sites for which no financially responsible party can be identified or the responsible party cannot under any circumstances cover the deductibles associated with cleanup costs. These sites become part of the state-led program, where the state directs corrective action and pays the entire cost for cleanup.

Source: Program Evaluation Division based on UST Section documents.

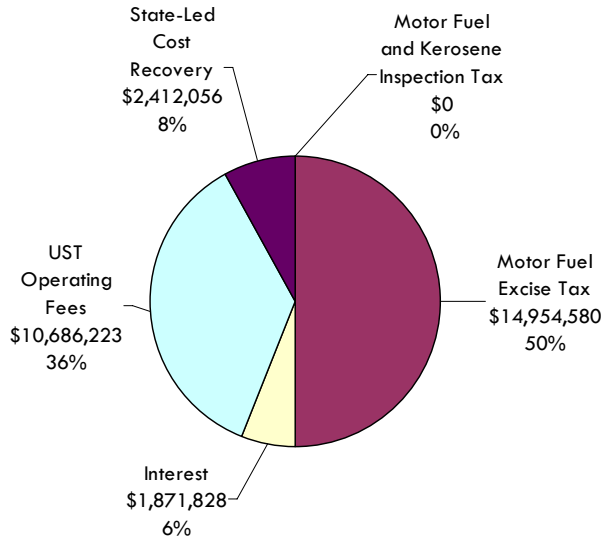
Exhibit 2: Federally Permissible Financial Assurance Mechanisms for Commercial UST Owners

Mechanism	Degree of Risk to UST Owner	Process
Self-insurance	Owner assumes all risk	Self-insured owners must be able to show at least \$10 million in tangible net worth to cover the cost of cleanup and third-party damages.
Surety Bond	Owner ultimately assumes the risk	A surety bond is a promise by the surety to either meet unmet obligations or fund a standby trust fund if the owner or operator fails to conduct corrective actions or pay third-party claims.
Letter of Credit		A letter of credit is a promise by a bank or other financial institution to fund a standby trust fund if the owner or operator fails to conduct corrective action or pay third-party claims.
Trust Fund with Private Trustee		A trust fund is an agreement between the owner or operator and a trustee (usually a bank). The owner or operator funds the trust to the extent that it is used to comply with financial responsibility requirements.
Insurance and Risk Retention Group Coverage	Owner assumes no risk other than the applicable deductible amount in the policy and any costs in excess of policy limits	Insurance coverage is a contract between an owner or operator and an insurance company. The insurance company charges a premium and assumes responsibility for payment of losses covered by the policy up to a policy limit, less any deductibles paid for each incident by the policyholder.
State Fund or Other State Assurance	Owners assume some portion of the cleanup costs through co-pays or deductibles	Operation is dependent on how states structure access to the assurance fund. Tank owners accessing the Commercial Fund in North Carolina are required to meet operation and compliance standards, pay an annual operating fee of \$420 per tank, and meet state fund deductibles (\$20,000 for cleanup costs and \$100,000 for third-party liability).
Guarantee	Owner assumes no direct risk	A guarantee is a promise by the guarantor to fund a standby trust fund if the owner or operator fails to conduct corrective action or pay third-party claims.

Source: *The Association of State and Territorial Solid Waste Management Officials (December 2002), Information for Evaluating UST Financial Responsibility Options.*

Exhibit 7: Sources and Distribution of Revenue for Commercial and Noncommercial Funds, Fiscal Year 2008-09

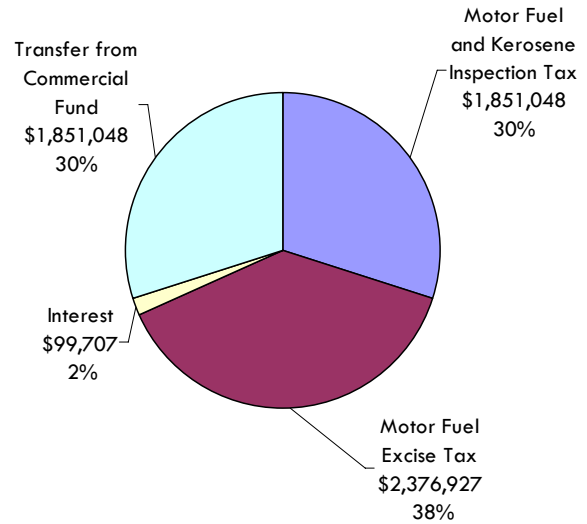
**Commercial Fund Revenue
(\$29.9 Million)**



Commercial Fund Sources and Distribution

- **Motor fuel and kerosene inspection tax** – 50% of proceeds from 1/4 of one cent per gallon, after the costs of administering motor fuel tax collections and the gasoline inspection program are covered; proceeds from the tax are transferred into the Noncommercial Fund if the balance falls below \$5 million
- **Motor fuel excise tax** – 19/32 of 1/2 cent per gallon
- **UST operating fees** – \$420 per tank per year
- **State-led cost recovery** – costs recovered from UST owners and operators for work performed by state contractors
- **Groundwater Protection Loan Fund** – principal and interest from repayments to the fund; no revenue was received from this fund in Fiscal Year 2008-09
- **Interest** – authorized by N.C. Gen. Stat. § 147-69.2 and 149-69.3

**Noncommercial Fund Revenue
(\$6.2 Million)**



Noncommercial Fund Sources and Distribution

- **Motor fuel and kerosene inspection tax** – 50% of proceeds from 1/4 of one cent per gallon, after the costs of administering motor fuel tax collections and the gasoline inspection program are covered
- **Motor fuel excise tax** – 3/32 of 1/2 cent per gallon
- **Interest** – authorized by N.C. Gen. Stat. § 147-69.2 and 149-69.3
- **Commercial Fund transfer** – proceeds from the motor fuel and kerosene inspection tax are transferred to the Noncommercial Fund if its balance falls below \$5 million

Source: Program Evaluation Division based on North Carolina General Statutes and fiscal data.