
SUBSTITUTE HOUSE BILL 2556

State of Washington **61st Legislature** **2010 Regular Session**

By House Agriculture & Natural Resources (originally sponsored by Representatives Fagan and Chandler)

READ FIRST TIME 02/01/10.

1 AN ACT Relating to financial security requirements under chapter
2 22.09 RCW; and amending RCW 22.09.060 and 22.09.090.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 22.09.060 and 1988 c 95 s 2 are each amended to read
5 as follows:

6 (1) Except as otherwise provided in ((RCW 22.09.405(2))) this
7 section, no warehouse or grain dealer license may be issued to an
8 applicant before a bond, certificate of deposit, or other security is
9 given to the department as provided in RCW 22.09.090((7)) or ((in RCW))
10 22.09.095.

11 (2) No warehouse license may be issued to an applicant before a
12 certificate of insurance as provided in RCW 22.09.110 has been filed
13 with the department.

14 (3) Grain dealers may be exempted by rule from the bonding
15 requirements of this section if the grain dealer does not do more than
16 one hundred thousand dollars in business annually and makes payments
17 solely in coin or currency of the United States at the time of
18 obtaining possession or control of grain. ((However,)) A cashier's

1 check, certified check, or bankdraft may be considered as cash for
2 purposes of this section.

3 (4) The bonding and security requirements of this section do not
4 apply to:

5 (a) Participants in the grain indemnity fund program, as provided
6 in RCW 22.09.405(2).

7 (b) Any warehouse license holder who receives grain exclusively
8 from licensed grain dealers who themselves have obtained the security
9 required under this section for grain dealers.

10 **Sec. 2.** RCW 22.09.090 and 1987 c 509 s 2 are each amended to read
11 as follows:

12 (1) Except as provided in RCW 22.09.060, an applicant for a
13 warehouse or grain dealer license pursuant to the provisions of this
14 chapter shall give a bond to the state of Washington executed by the
15 applicant as the principal and by a corporate surety licensed to do
16 business in this state as surety.

17 (2) The bond required under this section for the issuance of a
18 warehouse license shall be in the sum of not less than fifty thousand
19 dollars nor more than seven hundred fifty thousand dollars. The
20 department shall, after holding a public hearing, determine the amount
21 that will be required for the warehouse bond which shall be computed at
22 a rate of not less than fifteen cents nor more than thirty cents per
23 bushel multiplied by the number of bushels of licensed commodity
24 storage capacity of the warehouses of the applicant furnishing the
25 bond. The applicant for a warehouse license may give a single bond
26 meeting the requirements of this chapter, and all warehouses operated
27 by the warehouseman are deemed to be one warehouse for the purpose of
28 the amount of the bond required under this subsection. Any change in
29 the capacity of a warehouse or addition of any new warehouse involving
30 a change in bond liability under this chapter shall be immediately
31 reported to the department.

32 (3) The bond required under this section for the issuance of a
33 grain dealer license shall be in the sum of not less than fifty
34 thousand dollars nor more than seven hundred fifty thousand dollars.
35 The department shall, after holding a public hearing, determine the
36 amount that will be required for the dealer bond which shall be
37 computed at a rate not less than six percent nor more than twelve

1 percent of the sales of agricultural commodities purchased by the
2 dealer from producers during the dealer's last completed fiscal year or
3 in the case of a grain dealer who has been engaged in business as a
4 grain dealer less than one year, the estimated aggregate dollar amount
5 to be paid by the dealer to producers for agricultural commodities to
6 be purchased by the dealer during the dealer's first fiscal year.

7 (4) An applicant making application for both a warehouse license
8 and a grain dealer license may satisfy the bonding requirements set
9 forth in subsections (2) and (3) of this section by giving to the state
10 of Washington a single bond for the issuance of both licenses, which
11 bond shall be in the sum of not less than fifty thousand dollars nor
12 more than seven hundred fifty thousand dollars. The department shall,
13 after holding a public hearing, determine the amount of the bond which
14 shall be computed at a rate of not less than fifteen cents nor more
15 than thirty cents per bushel multiplied by the number of bushels of
16 licensed commodity storage capacity of the warehouses of the applicant
17 furnishing the bond, or at the rate of not less than six percent nor
18 more than twelve percent of the gross sales of agricultural commodities
19 of the applicant whichever is greater.

20 (5) The bonds required under this chapter shall be approved by the
21 department and shall be conditioned upon the faithful performance by
22 the licensee of the duties imposed upon him by this chapter. If a
23 person has applied for warehouse licenses to operate two or more
24 warehouses in this state, the assets applicable to all warehouses, but
25 not the deposits except in case of a station, are subject to the
26 liabilities of each. The total and aggregate liability of the surety
27 for all claims upon the bond is limited to the face amount of the bond.

28 (6) Any person required to submit a bond to the department under
29 this chapter has the option to give the department a certificate of
30 deposit or other security acceptable to the department payable to the
31 director as trustee, in lieu of a bond or a portion thereof. The
32 principal amount of the certificate or other security shall be the same
33 as that required for a surety bond under this chapter or may be in an
34 amount which, when added to the bond, will satisfy the licensee's
35 requirements for a surety bond under this chapter, and the interest
36 thereon shall be made payable to the purchaser of the certificate or
37 other security. The certificate of deposit or other security shall
38 remain on deposit until it is released, canceled, or discharged as

1 provided for by rule of the department. The provisions of this chapter
2 that apply to a bond required under this chapter apply to each
3 certificate of deposit or other security given in lieu of such a bond.

4 (7) The department may, when it has reason to believe that a grain
5 dealer does not have the ability to pay producers for grain purchased,
6 or when it determines that the grain dealer does not have a sufficient
7 net worth to outstanding financial obligations ratio, or when it
8 believes there may be claims made against the bond in excess of the
9 face amount of the bond, require a grain dealer to post an additional
10 bond in a dollar amount deemed appropriate by the department or may
11 require an additional certificate of deposit or other security. The
12 additional bonding or other security may exceed the maximum amount of
13 the bond otherwise required under this chapter. Failure to post the
14 additional bond, certificate of deposit, or other security constitutes
15 grounds for suspension or revocation of a license issued under this
16 chapter.

17 (8) Notwithstanding any other provisions of this chapter, the
18 license of a warehouseman or grain dealer shall automatically be
19 suspended in accordance with RCW 22.09.100 for failure at any time to
20 have or to maintain a bond, certificate of deposit, or other security
21 or combination thereof in the amount and type required by this chapter.
22 The department shall remove the suspension or issue a license as the
23 case may be, when the required bond, certificate of deposit, or other
24 security has been obtained.

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