

The National Agricultural  
Law Center



University of Arkansas • Division of Agriculture

An Agricultural Law Research Project

## **Requirements for Grain Dealers**

**State of Tennessee**

*Bonding*

[www.NationalAgLawCenter.org](http://www.NationalAgLawCenter.org)



## Requirements for Grain Dealers

### STATE OF TENNESSEE

*Current with legislation from the 2014 Second Regular Sess.*

#### **T. C. A. § 43-32-106**

#### **§ 43-32-106. Bonds; insurance; certificates of deposit or irrevocable letters of credit; collateral security**

- (a) With the exception of incidental commodity dealers, nonsecured, every person licensed as a commodity dealer or warehouseman shall have a surety bond and a fire and extended coverage insurance policy, or proof thereof, both of which shall be noncancellable for the term of the license.
- (b) The surety bond shall provide a reasonable level of protection for those persons storing commodities in the warehouse or selling commodities to a dealer in the event of bankruptcy, fraud, or other occurrence that would deprive the person storing or selling commodities from recovering its value. This surety bond shall be in an amount established by the commissioner by duly promulgated rules. These bonding requirements are subject to a twenty thousand dollar (\$20,000) minimum and a five hundred thousand dollar (\$500,000) maximum limit.
- (c) The fire and extended coverage insurance policy shall be in an amount set by the commissioner by rule and regulation.
- (d) The bond and insurance policy shall be for the benefit of the persons storing commodities with the warehouseman, and shall be conditioned to provide the protection described in this section.
- (e) The premiums on the bond or insurance shall be paid by the licensee.
- (f) Any commodity dealer or warehouseman may file with the department, in lieu of a surety bond, a certificate of deposit or an irrevocable letter of credit payable to the department with the commissioner as trustee. The principal amount of the certificate shall be the same as that required for a surety bond under this chapter and the interest thereon shall be made payable to the purchaser thereof.
- (g) The surety bond or certificate of deposit in effect on the date of a warehouseman's license revocation, license suspension, cessation of operation or date of default as determined by the department shall be liable for and accrue liabilities not to exceed the principal of the surety bond or certificate of deposit.
- (h) When the department determines that an applicant's or licensee's ability to pay producers for commodities purchased is in question, or when it determines that a commodity dealer or warehouseman does not meet the financial requirements of this chapter, it may require additional collateral security. Such collateral security may include, but is not limited to, irrevocable letters of credit, certificates of deposit, commercial surety bonds, and, on a negotiated basis, mortgages or deeds of trust on real property, personal or corporate guarantees or other guarantees. Failure to post collateral security shall constitute grounds for suspension or revocation of a license issued under this chapter.
- (i) Any commodity dealer or warehouseman who is of the opinion that such person's net worth and assets are sufficient to guarantee payment to producers for commodities purchased or stored by that person may request the department to be relieved of the obligation of filing a bond in excess of the minimum bond of twenty thousand dollars (\$20,000). The conditions under which such requests shall

be granted shall be established by the commissioner in duly promulgated rules.

(j) A commodity dealer shall be exempt from the bonding requirements of this section if the commodity dealer paid producers in full prior to or on the date of every delivery of commodities accepted for one (1) year prior to the date the request to be exempt is submitted to the department.

(k) A commodity dealer exempt from bonding requirements under subsection (j) who pays less than the full amount for commodities prior to or upon delivery, issues a check at the time of delivery that is later dishonored for any reason, or takes any action subsequent to delivery that causes the producer to receive less than the full amount paid at delivery, shall file and maintain a surety bond in the amount required by this section.