

ALTERNATIVE BONDING OPTIONS

1. Keep status quo – continue with the current bond protections which consist of a capacity based bond for state grain warehouses and a bushel handle based bond for facility-based grain buyers and roving grain buyers.
2. Differentiate “processors” – establish a new license category specifically for processors.
3. Handle/value based bond – use a volume handle or commodity value to determine bond limits.
4. State financial audits – require licensees to file financial statements with the Public Service Commission.
5. Indemnity pool (with state financials) – move away from surety bonds to a broader indemnity pool – this option would necessitate a state financial audit program.
6. Expand pool of assets available in insolvency – trust fund assets would go beyond the grain assets to include processed products such as oil, meal, etc.
7. State bank as “bonder of last resort” – the Bank of North Dakota would become a bonder of last resort for companies that are not able to obtain traditional bonding elsewhere.
8. Private sector receivables insurance – businesses are able to purchase receivables insurance - if possible, expand the receivables insurance to the private sector.

| Comments Submitted By: | Summary: |
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| Representative Mueller | Options 2, 3 and 6 make the most sense and probably would most easily get done. The concept of increasing the indemnity fund has potential but will be resisted by some (option 5). |
| ND Grain Growers Association | Basing bond on storage is antiquated – consideration must be given to the amount of commodity delivered to a grain warehouse (option 3). |
| ND Farmers Union | A number of options should be explored and coverage should reflect current needs. Bonds should be based on hand and/or value. Differentiating between processors of raw agricultural products and traditional grain handlers, expanding the pool of assets available to producers in an insolvency case, and utilizing the BND as a source for non-traditional bond coverage are also viable options (options 2, 3, 6, and 7). |
| ND Corn Growers Association | At a minimum – change rate schedule to more accurately reflect dollar value instead of historic bushel capacity. A three year average of handle that is based on the value of commodities would more accurately reflect the business climate of 2009. Facilities are turning over grain volume 4 to 12 times or more per year vs. the traditional model upon which our bonding laws were established to purchase the grain and store. A second option is to keep current private surety bonds in place and enhance them with a single cash sale indemnity fund (options 3 and 5). |
| ND Grain Dealers Association | <p>Major revisions should be undertaken with very careful consideration of the good they will do and the possible adverse consequences.</p> <p>Keeping the status quo for grain warehouses and facility-based grain buyers</p> |

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| | <p>is fine with us. Establishing a separate licensing category for processors is fine with us. Basing a bond on volume would be quite a change and basing a bond on commodity value would be an even more significant change and create its own set of problems. Having the PSC collect financial statements implies the Commission will have to hire savvy people to review these financial statements. That costs money and there may be reservations about a financial statement becoming an open public record. Moving away from a surety bond to a broader indemnity pool requires the submission of financial statements. Expanding the pool of assets available in an insolvency will be met with objection from bankers and may significantly and adversely affect grain elevator financing. Shifting firms that do not qualify in the private bond market to a liability of the BND sounds like a bad idea to us and we are not familiar with the use of private sector receivables insurance.</p> |
| U.S. Durum Growers Association | <p>The Association will not take a position on this issue at this time.</p> |