

Application supporting documents

Reviewed or Audited Financial Statement Requirements

A warehouse operator shall file with the department a reviewed or audited financial statement showing net worth of the operator's grain warehouse business as part of the operator's application for a new license and thereafter, shall file with the department a new reviewed or audited financial statement reflecting the net worth of the operator's grain warehouse business at the end of the operator's most recent fiscal year, no later than the 90 days following the end of the operators most recent fiscal year.

The required reviewed or audited financial statement shall be prepared in accordance with the generally accepted account principles (accrual basis) for financial statements and related information established by the American Institute of Certified Public Accounts and shall include, but not limited to, each of the following:

- A balance sheet;
- A statement of income (profit and loss);
- A statement of retained earnings;
- A statement of cash flows; and
- All accountants' certifications, assurances, opinions, comments, and notes to the financial statement.

The financial statement required by this section shall be accompanied by:

- A certification, under penalty of perjury, that the financial statement, as prepared, accurately reflects the financial condition of the operator's grain warehouse business as of the date designated, and fairly represents the result of operations for the period designated;
- A detailed list of company-owned grain (paid contracted or the operator's own production), unpaid contracted grain, non-collateral receipted grain, collateral receipted grain, open storage grain, and grain received on consignment as of the date designated in paragraph (1) of this subsection;
- A list of all parties in any pending litigation that claim a monetary judgment against the warehouse operator, the amount of the claim of each such party, and the status of the litigation; and
- A list of all final unpaid monetary judgments against the warehouse operator.

Net Worth Requirement

If the actual net worth of a warehouse operator equals less than 25 cents per bushel of rated storage capacity or a minimum of \$200,000, a net worth deficiency bond is required. The warehouse operator shall file a deficiency bond in an amount equal to the difference between the actual net worth and the amount determined by multiplying 25 cents times each bushel of rated storage capacity of the warehouse. Temporary storage shall be

included in determining net worth bonding requirements and additional net worth bonding may be required before a temporary storage permit is issued.

Bonding Requirement

The bonding requirement for a grain warehouse is a flat rate of 10 cents per bushel of rated storage capacity. The minimum bond amount is \$35,000 regardless of whether the warehouse operator has a single or a combination license. The maximum bond amount for a grain warehouse license is \$500,000.

A single continuous bond is required for each combination or for individual facility not part of a combination.

A bond must have the term of the license plus two years.

Other Financial Assurance Options (in lieu of a bond)

Subject to the approval of the department, a warehouse operator may deposit the following with the department, in lieu of a bond and must be in the same amount or have a value in the same amount as required for a warehouse bond:

- Cash ([Contact Grain Warehouse Program](#)).
- An irrevocable letter of credit, payable to the state of Texas ([Contact Grain Warehouse Program](#)); or
- A certificate of deposit from a federally insured bank or savings and loan institution authorized to do business in this state, assigned to the State of Texas. NOTE: Any interest or income earned on an assigned certificate of deposit accrues to the owner of the certificate during the time of the assignment.

Certificate of Insurance or equivalent

A warehouse operator must either provide a certificate of insurance (Form RGW-302), or certify in writing that all grain stored in the warehouse is owned by the applicant and is free of lien.

The insurance policy must be issued by an insurance company authorized to do business in the State of Texas. A Certificate of Insurance must be completed for each separately licensed facility.

All grain that is or may be in the public grain warehouse must be covered by the policy for the grain's full market value against loss by or due to water or other fluid, malicious mischief, vandalism, theft, intentional waste or destruction, smoke, fire, internal explosion, lightning, hail, windstorm, hurricane, or tornado.

The applicant shall file the required certificate of insurance on or before the first day any grain not owned by the applicant, free of any lien that is stored for hire, handled for hire, or shipped for hire.

Facility Inspection

An inspection by an authorized TDA employee must be completed to verify the details of the application and documentation.

Which is better, individual or combination license?

The answer will depend on your individual circumstances. A warehouse operator has the option to combine several facilities under one license. To utilize a combination license, the following are required:

- All facilities under the combination must be located within a 60-mile diameter of its headquarters.
- The warehouse operator at a designated headquarters must maintain a single record keeping system covering only warehouses within the combination license.
- A single, unique set of sequentially numbered receipts containing all information required by department rule and bearing the name of the license holder and a unique combination name, but not bearing individual warehouse or facility names, must be used for the combination.
- For each scale operated by the warehouse operator, the warehouse operator must issue and maintain a single, unique set of sequentially numbered scale weight tickets containing all information required by department rule and bearing the name of the license holder and a unique name identifying the facility where the scale is located.
- A single Daily Position Report (DPR) covering all storage obligations of the combination and only the combination, including company-owned grain, and containing all information required by the department rule must be maintained.
- All original warehouse operator records, except for scale weight tickets, relating to transactions or storage obligations involving the combination must be maintained at the designated headquarters location and separate from all other businesses including separately licensed warehouse operations of the warehouse operator. All scale weight tickets from a particular scale, operated by the warehouse operator, shall be kept and maintained at the location of the particular scale.
- A warehouse operator may not combine or intermingle assets, storage obligations, liabilities of any kind, records or record entries, contractual obligations, other transactions of any kind, or any other business or operating information from different warehouses or businesses owned, managed, or operated by the warehouse operator.

Note: In situations where regulatory action at one facility results in license suspension, revocation, or other action, all facilities in a combination will be affected.