

Memorandum

TO: Industry & Interested Parties

FR: Public Service Commission

DT August 2005

RE: Grain Warehouse & Grain Buyer Examination & Safety Manual

Attached is a copy of the current Grain Warehouse & Grain Buyer Examination & Safety Manual. This manual, which was developed in 1997, has recently been revised to identify the procedures and practices currently used by state (& private) warehouse inspectors while conducting grain warehouse and grain buyer examinations. This manual also contains the current laws, rules, and examination report forms.

One of the most substantial changes to this manual was the addition of the Safety Examination Guidelines. These guidelines have been reviewed by the Commission's warehouse inspectors and they have been instructed to follow these safety guidelines to the best of their ability while conducting examinations.

The inspectors face many potential hazards while conducting examinations and they have a right to expect a safe environment in which to work. An effective safety program will assist the inspectors in protecting themselves and others from work place hazards and reduce or prevent accidents.

Please Note: Exhibit I – Grain Warehouse & Grain Buyer Laws, Rules and Policies and Exhibit II - Examination Report Forms are not included in this document. If you would like a copy of the laws, rules, or policies that are part of this manual, they are available on the Commission's website. If you would like a copy of the examination report forms, please call our office and copies will be forwarded to you.

North Dakota
Grain Warehouse & Grain Buyer
Examination & Safety Manual

For Use By
State and Private Inspectors

Licensing Division
Public Service Commission
Twelfth Floor - State Capitol
Bismarck, North Dakota 58505-0480
Phone: 701-328-4097
Facsimile: 701-328-2410
E-mail: srichter@state.nd.us
Website: www.psc.state.nd.us

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Forward

This North Dakota Grain Warehouse Inspection Manual was developed in 1997 by the Public Service Commission (Commission) in conjunction with the North Dakota Grain Dealers Association and a variety of interested parties. The manual identified the warehouse inspection procedures used by all state and private inspectors when conducting exams at North Dakota licensed facilities.

In 1999, the Commission purchased ExamHand, a field examination software program custom developed for use by inspectors during examinations. This manual has been revised to: identify the current procedures and practices used by the warehouse inspectors during their exams, including the procedures used when examining roving grain buyers; include the examination report forms generated by the ExamHand program based on information provided by the inspectors during exams; and incorporate the statute changes impacting licensees and patrons. A set of safety guidelines that inspectors must follow while conducting examinations has also been incorporated into the manual. The manual is now identified as the **“North Dakota Grain Warehouse & Grain Buyer Examination & Safety Manual.”**

The homeland security concerns have resulted in the inclusion of a simplified security plan procedure for this manual. The US Department of Agriculture’s Commodity Credit Corporation requires a security plan in accordance with the Uniform Grain and Rice Storage Agreement contract. The Commission does not have authority to require licensees implement a security plan; however, licenses are encouraged to develop a facility vulnerability assessment and facility security plan.

The procedures identified in this manual will help ensure examinations are conducted uniformly and safely for the benefit of warehousemen, grain buyers, warehouse patrons, and inspecting entities.

Background

For many years a large majority of grain warehouses in North Dakota stored federal grain and were regularly inspected by federal inspectors. The warehouses inspected by the state inspectors have been involved primarily in the specialty industry including facilities handling commodities such as edible beans, peas and lentils, and

organic and crushing and processing facilities. The inspection program was created to identify and develop an inspection program for the warehouses not inspected by federal inspectors.

The federal government's ongoing efforts to downsize their grain interests have created a greater demand for the state inspection program. The Commission's two grain warehouse inspectors perform approximately 130 grain warehouse inspections a year, in addition to inspecting the roving grain buyers located in state. There are approximately 315 state warehouses, 95 federal warehouses, and 50 roving grain buyers licensed in North Dakota.

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Exhibits

- Exhibit I - Grain Warehouse & Grain Buyer Laws, Rules and Policies
- Exhibit II – Examination Report Forms
- Exhibit III - Daily Position Record
- Exhibit IV - Scale Ticket Examination Procedure
- Exhibit V - Warehouse Receipt Examination Procedure
- Exhibit VI - Open Storage Examination Procedure
- Exhibit VII - Credit-Sale Contract & Indemnity Fund Examination Procedures
- Exhibit VIII – Liquidity Review
- Exhibit IX - Safety Examination Guidelines

Introduction

Commission grain warehouse inspectors conduct an examination to: (1) physically inspect each state grain warehouse facility to determine if the licensee is using only approved space and whether the stated capacity at each facility is accurate to ensure adequate bond; (2) to physically measure all grain on hand at each facility to determine if the inventory agrees with company records and are of a kind, quality, and quantity sufficient to cover all outstanding storage obligations; and (3) determine if each licensee is adhering to generally accepted business practices and applicable laws, rules and Commission policies.

This manual identifies each subject area that must be reviewed as part of the examination process. Each item must be reviewed regardless of whether the examination is conducted by a Commission inspector or by an authorized private inspector. Each inspector shall.

1. Review company operations to determine if the licensee is adhering to generally accepted business practices and state warehousing (or buying) laws and rules. Every document used by the licensee must comply with statutory requirements and bear the same company name. Every required notice must be posted appropriately.
2. Physically inspect each warehouse facility, both on and off-site, to determine if: 1) the licensee is using only approved space; 2) each stated physical capacity is accurate; and 3) the company is adequately bonded.
3. Physically measure all grain on hand to determine if inventories agree with company records and are of a kind, quality, and quantity sufficient to cover all outstanding storage obligations.

The final product of an examination is the issuance of a memorandum of adjustment. This memorandum must identify all deficiencies found during the examination and must be presented to the licensee for review and signature at the conclusion of the examination. A copy should be retained by the licensee and the warehouse inspector. The inspector must file a copy of the memorandum of adjustment with the Commission within seven (7) calendar days. If the memorandum lists formal recommendations, the licensee has thirty calendar days from the date of issuance of the memorandum of adjustment to provide the Commission with a written response, unless specified violations require immediate action.

If the examination was performed by a private inspector, the licensee must send a copy of his response to the Licensing Division and the inspector performing the examination. The inspector must, within seven days of receipt of the response, notify the Commission's Licensing Division of his opinion concerning the licensee's response.

A licensee may be found in violation of state warehousing and grain buying laws and rules if the Commission determines the situation warrants and if the licensee's responses and corrective actions are insufficient. A complaint may be issued immediately following an examination if a serious violation is found.

The following sections discuss related procedures and reporting requirements in more detail. Governing laws, rules and division policies are presented in Exhibit I.

Pre-Examination Preparation

The examination process will be more efficient and effective if the inspector is familiar with the company and has a complete set of necessary records, information, and equipment when the examiner arrives at the warehouse. Some of these items are generic while others are specific to the licensee being examined.

Generic Items - Generic items will be needed for each inspection. The inspector is responsible for procuring and having the following items at his or her disposal when conducting an examination.

1. Safety equipment such as steel toed boots.
2. Coveralls.
3. Cold weather clothing when in season.
4. Measuring equipment.
5. Flashlight.
6. A copy of current state grain warehouse or grain buyer laws, rules and policies.

Specific Items - In addition to generic items needed for virtually all licensees, inspectors should plan ahead to ensure they have specific items needed to conduct a comprehensive inspection in a timely manner. Necessary items include:

1. A copy of the most recent inspection report.
2. A copy of the current bin chart, warehouse diagram, and statement of capacities.
3. Copies of relevant Commission orders since last inspection.

If an inspector does not have any of these items, copies are available from the Commission's Licensing Division. Private inspectors should allow at least ten days for delivery following the submittal of their request.

General Observations

Whenever possible, examinations should be unannounced. Upon arrival, inspectors should introduce themselves to the manager/bookkeeper, brief him or her on the purpose of the visit and time frame expectations, and make arrangements for use of office space, personnel, and access to records, etc. Initial examination activities should include a check for all items licensees are required to post, verifying applicable documents are current.

1. License.
2. Price offerings.
3. Notice of procedures for resolving disputes over grain.
4. Credit-sale contract indemnity fund poster.
5. Storage and handling policy.
6. Bean redelivery policy.
7. Notice of modified office hours (if applicable).

Inspectors shall note warehouse conditions that might be indicative of underlying problems. These conditions might include things such as:

1. Facilities in disrepair.
2. Untidy office and elevator.
3. Uncooperative warehouseman or staff.
4. Out of condition grain (rodent or bird droppings, bugs, and/or sour smell).
5. Facilities not open for business.

The inspector should note every concern on the memorandum of adjustment discussed later in this manual.

Business Practices

Licensees must adhere to generally accepted business practices. In addition to maintaining a complete and current daily position record, licensees must use the documents discussed in the following sections to accurately record and track their company's grain transactions.

Scale Tickets – A scale ticket or comparable receipt must be issued for each load of grain received and must be uniform and consecutively numbered. The original scale ticket must be given to the person delivering the grain. All scale tickets must be converted into cash, noncredit-sale contracts, credit-sale contracts, or warehouse receipts within forty-five days after the grain is delivered to the licensee (North Dakota

Century Code (NDCC) §60-02-11, NDCC §60-02.1-01(2), & North Dakota Administrative Code (ND Admin. Code) §69-07-03).

Scale tickets must be issued in consecutive order and must contain the name of the licensee, the receiving location, the name of the depositor, the type of grain, the percentage of dockage, the test weight, and the gross, tare, and net weights (ND Admin. Code §69-07-03-01). A copy of the scale ticket(s) being used must be filed with and approved by the Commission.

Inspectors should verify scale tickets and all other license documents bear the same name used on the license issued by the Commission. The scale ticket examination procedures are outlined in Exhibit IV.

Warehouse Receipts and Open Storage - The grain held by a licensee may be one or more of the following:

1. Company owned grain.
2. Warehouse receipt grain stored for the receipt holder.
3. Open storage grain delivered to the warehouse within the past forty-five days and the scale ticket has not been converted to cash, warehouse receipt or credit-sale contract.
4. Grain bank grain stored for later use by the owner.

Grain warehousemen offering storage services must use approved warehouse receipt forms. These receipts must contain the information specified in NDCC §60-02-16 & 17 (see Exhibit I).

An examination must include a review of all warehouse receipts issued since the last examination. As a part of this review, the inspector should initial and date all canceled warehouse receipts. All open warehouse receipts should be listed on a warehouse receipt register. The warehouse receipt examination procedures are outlined in Exhibit V and the open storage examination procedures are outlined in Exhibit VI.

Credit – Sale Contract - A credit-sale contract is defined by law as a written contract for the sale of grain whereby all or a portion of the price is to be paid or may be paid more than thirty days after delivery or release of the grain for sale and which contains the notice provided in subsection 7 of §60-02-19.1 (NDCC §60-02-01(2)) and §60-02.1-14 (NDCC §60-02.1-01(2)). Common forms of credit-sale contracts include: deferred payment, delayed pricing, no price established, installment sales, basis fixed, or

variations of these contracts by another name. Each credit-sale contract must be fully executed between the buyer and the seller. A credit-sale contract must be signed to be valid and enforceable. If the buyer has secured independent bond coverage, the amount of bond available must be identified in the contract disclaimer. If no credit-sale contract bond coverage is available, a disclaimer must be printed in bold type immediately above the signature block on the contract with the language identified in ND Admin. Code §69-07-03-06. Although there may not be bond protection afforded to those entering into credit-sale contracts, an indemnity fund was created by the 2003 Legislature that provides protection for unpaid credit-sale contracts executed after August 1, 2003.

The credit-sale contract examination procedures and indemnity fund examination procedures are outlined in Exhibit VII.

Licensed Physical Capacity

A licensed public warehouse cannot use space to hold grain unless the space is licensed. This requirement applies to internal storage, including on-site and off-site storage and ground storage. Space must be licensed based on the physical capacity of the facility and not the volume of grain in the facility. All space must be licensed whether it is used for company owned grain, warehouse receipted grain, etc. A warehouseman's bond requirement is tied to its physical capacity (ND Admin. Code §69-07-02-02). The use of unlicensed space is considered a major violation and may be grounds for an immediate complaint.

Space that is physically connected to a warehouse must be licensed unless it is being used as an approved receiving station as provided for in NDCC §60-02-07.2.

Each examination must verify the physical capacity of the warehouse and determine whether or not the warehouseman is using any unlicensed and/or under bonded space. Verification activities must include a comparison of the firm's facilities with the warehouse diagram, bin chart, and statement of capacities that are on file with the Commission. Newly constructed or off-site bins added to the warehouse's capacity since the last examination must be measured and added to the forms. Inspectors must file updated capacity forms with the Commission along with the memorandum of adjustment as discussed later. Unsafe facilities should not be examined and should be noted on the memorandum of adjustment.

Physical Inventory & Quality Check

Each warehouse examination must include verification of the company's grain stocks. This process must include the physical examination of all space associated with the licensee including off-site storage space. Inspectors should watch for unsafe conditions as identified in the safety section. Unsafe storage facilities should not be entered or measured and should be reported as zero bushels or hundredweight on the bin measurement.

All bins must be inspected to determine the kind, quality, and quantity of grain stored in them. Screenings are not considered "grain" and should not be counted as inventory. Measured inventories must be compared with book inventories.

Discrepancies and quality problems must be noted in the memorandum of adjustment.

The inventory process should include a review of the warehouseman's bin charts to ensure they are accurate. Inspectors must be diligent to watch for the use of unlicensed space. To determine the quality of stored grain, inspectors should:

1. Look for poor quality grain received when reviewing scale tickets.
2. Look for conditions indicating deterioration of grain while in storage.
3. Compare samples retrieved with the kind of grain indicated in bind during the measurement.
4. Assess adverse storage conditions to determine when bins were emptied last. If they have not been emptied in two years or more, attempt to recover a representative sample from the bin(s) for quality testing.

Following the completion of the warehouse measurement, the inspector must cross-check the findings with the inventories reported in the warehouseman's daily position report. Inventories must be sufficient to cover warehouse receipt and open storage obligations (ND Admin. Code §69-07-03-10). Significant shortages may be grounds for a complaint and should be noted on the memorandum of adjustment.

The liquidity review procedures are outlined in Exhibit VIII.

Examination Report Forms

Warehouse inspectors should make every effort to obtain all necessary information and documents while at the warehouse. All reports and related work papers should be finalized for submission to the Commission's Licensing Division. A

memorandum of adjustment must be created for every exam. The following items may be included when applicable:

1. Statement of Obligations and Inventory.
2. Bin Capacity Chart.
3. Warehouse Diagram.
4. Statement of Capacities.
5. Working Capital Report.
6. Risk Position Report.
7. Payables/Receivables Report.
8. Storage Report.
9. Open Warehouse Receipt Register.
10. Contract Report.
11. Document Check.

Inspectors should conduct an exit interview with the licensee prior to departure. Interviews should include a review of items listed on the memorandum of adjustments. Inspectors should note on the memorandum of adjustment and verbally emphasize all items requiring a formal written response to the Commission. The licensee should acknowledge receipt of the memorandum of adjustment by signing it in the appropriate place. If the memorandum of adjustment is not completed during the exam, it should be provided to the licensee for appropriate signature once all information necessary to complete it is received. A copy of the completed memorandum of adjustment should be provided to the licensee.

Memorandums of adjustment containing findings on the use of unlicensed space or insufficient grain on hand to cover outstanding warehouse receipt obligations should immediately be electronically forwarded or faxed to the Licensing Division.

The memorandum of adjustment must be filed with the Licensing Division in person or via e-mail or first-class mail, within seven (7) calendar days of completion of the examination. Inspectors must inform the Licensing Division if a written response is required of the licensee. The warehouseman's written response to the memorandum of adjustment must be received by the Licensing Division within thirty (30) days of issuance. When a response is received, a copy will be provided to the inspector involved for evaluation. Within five (5) days of receiving a copy of the licensee's response, the inspector must provide the Licensing Division with a recommendation concerning the

appropriateness of the licensee's response. Subsequent action will be based on input received from all staff.

If a private inspector has been used, the licensee must also send a copy of its response to the memorandum of adjustment to the inspector conducting the examination. Private inspectors must file a letter of response with the Licensing Division within seven (7) days of receipt of the licensee's response. The inspector's response should state whether the warehouseman's corrective actions are adequate. If the corrective actions are considered inadequate, the inspector should make specific recommendations concerning appropriate actions needed. Subsequent action will be based on input received from all staff.

All examination report forms are identified in Exhibit II.

Facility Vulnerability Assessment & Security Plan

State law does not require a licensee file a facility vulnerability assessment & security plan (Plan). However, licensees are encouraged to develop a Plan for use at their facilities. For security reasons, the Plan developed by the licensee should not be available for public disclosure, but should be kept confidential. The Plan should include measures to protect grain handled and stored at the facility. Licensees should conduct a facility vulnerability assessment and establish procedures that address the:

1. General security of the physical structures and grounds of the warehouse.
2. Shipping and receiving procedures to ensure grain is not subject to tampering.
3. Action to be taken in the event of a national emergency.
4. Contact information for local security authorities.

Exhibit I

Grain Warehouse & Grain Buyer Laws, Rules and Policies

Exhibit II

Examination Report Forms

Exhibit III

Daily Position Report

Daily Position Report

Upon arrival at the facility secure the daily position report.

1. Copy all stocks of grain and note date of last entry.
2. Document the reason for any large position change from position on arrival to position on completion.
3. Verify the daily position report has separate columns for each commodity.
4. Verify the accuracy of grain position posting to daily position report.
5. Check five consecutive days immediately prior to examination cut-off for daily position report inconsistencies. Verify numbers to make sure of load outs, check bill of ladings on rail cars and bill of ladings on trucks, and make sure they were included on the daily position report on that day.
6. Review each day's ending inventory totals and verify the same figure is carried over to start the next day.
7. When reviewing a manual daily position report, select two days each month when company - owned is lowest and / or when entries have been erased. Mathematically check the accuracy of the company-owned column.
8. Check daily position reports for over shipped positions during each month. All non in-transit grain owned or held by a licensed warehouseman must be held in a licensed and bonded warehouse, either within or outside the state. When grain is held in space outside of North Dakota, a non-negotiable warehouse receipt must be issued to the licensed grain warehouseman for the grain and the bond must be increased to cover the obligation.
9. A warehouseman must maintain a grain inventory sufficient to cover outstanding obligations. The failure to maintain inventories sufficient to cover outstanding scale tickets and warehouse receipt obligations must be documented on the memorandum of adjustment. All grain shortages should be discussed with the warehouseman upon completion of the examination. The inspector should inform the warehouseman that significant shortages will likely result in the filing of a staff complaint.
10. Cash purchases remain in open storage or warehouse receipted until checks are sent. (Checks should not be held for extended periods.)

The daily position report should be current and must contain the following information.

1. Date of transaction.
2. Total quantity of all grain received from scale tickets (net grain).
3. Total quantity of all grain loaded out (trucks and rail cars in shipments register) (net grain).
4. Inventory adjustments (acquired by shrink from drying, cleaning, or destination unloading weight adjustments). Shrink adjustments should be done monthly or quarterly (consider warehouse history as a guide for shrinkage).
5. Total grain inventory.
6. Total grain on open storage.
7. Total warehouse receipted grain.

8. Total unpaid company owned grain.
9. Total paid company owned grain.
10. Grain shipped to terminal for storage (may be covered by non-negotiable warehouse receipts or open assembly sheet).

Exhibit IV

Scale Ticket Examination Procedure

Scale Ticket Examination Procedure

- A. Scale tickets must be filed numerically.
 - 1. Scale ticket information is usually routed to customer assembly accounts (includes assembly sheets, settlement sheets, grower sheets or delivery sheets).
 - 2. Each scale ticket must be numbered consecutively. One copy of each ticket must be retained and filed numerically to remain as a permanent record. The original scale ticket must be delivered to the person from whom the grain is received. Each scale ticket must be converted into cash, non-credit sale contract, credit-sale contract or warehouse receipt within 45 days after the grain is delivered (NDCC §§ 60-02-11 and 60-02.1-01(2)).
- B. In the numerical scale ticket file, select at random two tickets at least 51 numbers apart and check the next 50 numbers to verify no tickets are missing.

Pre-select scale tickets for a document check. Select twenty scale tickets or more, at random, and follow through to conversion. The inspector must verify conversion of the following options by the identified processes.

- 1. Paid grain – go to settlement sheet and canceled check.
- 2. Warehouse receipt grain – verify if warehouse receipt is open and found on the warehouse receipt report.
- 3. Open storage – verify to open storage report.
- 4. Credit-sale contract – verify to corresponding credit-sale contract report (check for signed contract).

Exhibit V

Warehouse Receipt Examination Procedure

Warehouse Receipt Examination Procedure

1. Check and record the disposition of at least ten warehouse receipts canceled since the last examination. If less than ten receipts were issued since the last examination, check and record the disposition of all warehouse receipts.
2. Record each open warehouse receipt.
3. Each warehouse receipt should be canceled by writing the following information on the receipt:
 - A. Date canceled.
 - B. Check number.
 - C. Contract number.
 - D. Loading order. and
 - E. Reissued warehouse receipt number.

Warehouse Receipt Information

Verify each warehouse receipt is commodity and quantity specific, accounted for, and if canceled, verify return of receipt to warehouse receipt book. The inspector must:

1. Verify company owned grain is sufficient to cover all collateral and non negotiable warehouse receipts issued since the last examination.
2. Verify postings to daily position (dates of issuance and cancellation) for accuracy.
3. Confirm via fax, mail or telephone that all open collateral warehouse receipts at cut-off are in the possession of and being used as collateral by the lending institution(s). and
4. Confirm dates of cancellation coincide with the dates of release by the lending institution(s).

Exhibit VI

Open Storage Examination Procedure

Examination Procedure for Open Storage

1. Review delivery and assembly sheet issue dates on all open storage grain for violation of the forty-five day conversion rule.
2. Review and verify grain accounting classifications which have not been converted to warehouse receipts such as grain bank, CCC open storage, storage loading order, etc.
3. Review mathematical calculations of customer open storage records.
4. Record all categories of open storage in the storage register.
5. Total all open storage and grain bank grain and reconcile with the various categories on the daily position report.

Exhibit VII

Credit-Sale Contract and Indemnity Fund Examination Procedures

Credit-Sale Contract Examination Procedure

1. Examine contracts to verify that each type of contract used by the licensee contains or provides for all items identified in NDCC §§ 60-02-19.1 and 60-02.1-14 and each of these items has been completed when the contract was executed.
2. Review and record all unpaid or open credit-sale contracts. All contracts must be accounted for in the licensee's records. Any discrepancies such as missing signatures, duration dates, etc. should be noted. If an inspector discovers expired contracts, the inspector should remind the licensee the contracts must be settled. If the licensee asks for settlement options, an inspector may provide appropriate options, but must never direct the licensee to use a specific procedure. The inspector must verify:
 - A. Installment sales or deferred payment contracts indicate a grain quantity and final dollar amount payable and are recorded as accounts payable in the examination process.
 - B. Contracts such as priced later or basis fixed indicate a grain quantity amount and no final dollar amount and are recorded under contracted unpaid company owned grain. and
 - C. Advances received are recorded correctly. Typically, basis fixed contracts are advanced 70 to 80% of the contract value at date of issue.
3. Compare the total amounts from the various contract categories against the daily position report totals and the accounts payable totals, if applicable, and note any discrepancies.
4. If a large quantity of grain is inventoried under invalid contracts, the inspector shall move these specific quantities back to an open storage position and note shortages, if any, on the memorandum of adjustment.
5. If a minimal amount of grain is involved with a few invalid contracts, note the contract numbers and indicate these contracts and the associated problem on the memorandum of adjustment.
6. Conduct a spot check of canceled or paid credit-sale contracts and follow to final disposition. Note any settlement discrepancies. The amount of the various contracts to be spot checked shall be determined by the number of contracts used by the warehouseman since the last examination at the discretion of the inspector.

Indemnity Fund Examination Procedure

1. The credit-sale contract spot check should include a review to verify the indemnity fund assessment is accurately applied.
2. Compare contract issue date against the settlement date to verify:
 - A. The fee is properly collected.
 - B. Payment made within thirty days or less of issue date is a cash sale. and
 - C. Payment exceeding thirty days of issue date is a valid credit-sale contract requiring assessment and collection of fee.
3. The inspector should review the settlement of several contracts issued in late November and December with a January payment date to verify the accuracy of the assessment collections.
4. Verify the licensee is maintaining a credit-sale contract ledger either manually or electronically. Review this ledger for accuracy in comparison to the amount of money submitted in the quarterly reports.

Exhibit VIII

LIQUIDITY REVIEW

Liquidity Review

This procedure assesses the licensee's potential to pay for unpaid company owned grain. **THIS REVIEW IS NOT A COMPLETE FINANCIAL AUDIT.**

1. Enter any grain in-transit or priced grain in terminal awaiting payment. Question the licensee or office staff about any advances that may have been received upon shipment of such grain. If advances have been received, verify the amount (commission companies typically advance 70 - 80% upon rail shipment). The bushels entered as in-transit or forwarded must accurately reflect the grain remaining to be paid. Reduce the bushels shipped by the amount paid by the advance.
2. Consult with the licensee and establish the cash price to the producer for all company owned grain and priced later grain. Company owned and priced later grain should be priced according to quality.
3. Basis fixed contracts require the future price on the examination day at the applicable month and location of the board of trade stated in the contract, less the basis indicated.
4. Enter the appropriate cash price on the risk position for company owned grain and complete the mark to market application for the priced later and basis fixed grain. This process prices out the contract grain and will appear on the contract by type report.
5. Review the working capital report to verify grain assets are sufficient to cover grain liabilities. If there is a negative value on the working capital report, other additional current assets such as cash in the bank, commission company balances, cash value from margin accounts, unaccounted cash grain advances, or a combination of net long and short positions in futures trades should be entered to reach a point where the company liabilities are covered. The inspector should enter one additional asset at a time and consider the process complete when a positive working capital balance has been achieved.

Exhibit IX

SAFETY EXAMINATION GUIDELINES

Safety Examination Guidelines

General Safety Guidelines

Warehouse inspectors must follow applicable safety guidelines to the best of his/her ability. Upon arriving at the warehouse the warehouse inspector shall.

1. Announce your arrival at the facility before starting any phase of the examination.
2. Verify warehouse personnel are aware of your presence. Request the warehouseman delay operations in your immediate working area.
3. Be subject to the requirements of any safety program in effect at a North Dakota warehouse while on the premises. If the warehouseman does not have a safety program, encourage the warehouseman to consider establishing one.
4. Be familiar with the emergency evacuation plan, signals, and routes. Know how to evacuate quickly in the event of an emergency.
5. Inquire about hazardous chemicals and conditions that may be encountered. Warning signs may be empty chemical containers, taped hatches, and/or chemical odors.
6. Not walk on the grain surface if you suspect the grain may be bridged.
7. Be extremely cautious of acute grain slopes, or where wading or spontaneous action may create a hazard from sliding grain.
8. Be aware of deteriorating grain and mold which can emit dangerous gases and cause an oxygen deficient atmosphere.
9. Conduct yourself in a professional and responsible manner, remaining alert to the conditions that may endanger you or others.
10. Know the whereabouts of each other at all times when working with a fellow inspector or another individual. A warehouse employee must accompany the inspector while measuring grain, unless the licensee provides the inspector with a radio or other communication device.
11. Dress appropriately – do not wear loose clothing around running machinery and belts. Jewelry can contribute to injury under certain conditions. As a general rule, dangling items should not be worn when working outside the office. Be aware of wrist watches and rings when climbing stairs or ladders. Long hair should be confined to prevent exposure to machinery and equipment.
12. Use both hands on a ladder – equipment should be stowed on your person or hauled up and down by rope.
13. Be familiar with symptoms and preventative measures of heat exhaustion.
14. Always use handrails when climbing stairs. Be alert for moisture, grain, and dust accumulation, stay alert for overhead obstructions, and always ascend or descend one step at a time.
15. Watch for worn or defective equipment, limit switches being tied open, inoperative emergency brake release, inoperative doors (tied open), and loose counter-weights, when using man lifts.
16. Verify catwalks are guarded with handrails, their flooring is grated or of a non-slip material, walk single file and well spaced to distribute the weight load, be alert for

- overhead obstructions, when getting on or off be sure of your handhold and footing, and always walk, when using catwalks.
17. Be provided with a safe access to the roof top examination points. Outside flat roof storage bins must be equipped with perimeter roof railing, hand rails to each examination point, and other acceptable safety aids as dictated by prevailing conditions.
 18. Stay clear of vehicles in the process of loading or unloading which may start, stop, or change direction without notice.
 19. Never go under or between parked rail cars.
 20. Never attempt to hitch a ride on a moving rail car.
 21. Be alert to all vehicle movement. Do not rely on the operator to assure your safety.

Safety Hazards

All warehouses contain safety hazards which may not be possible to eliminate. Once hazards are identified, they can be avoided or dealt with safely. Safety conditions should be reviewed and addressed at each facility. When safety hazards are identified, the warehouse inspector should.

1. Request the warehouseman correct the condition causing the hazard.
2. Use personal protective equipment to negate the hazard.
3. Refuse to enter the area if you perceive a condition that could reasonably be considered a threat to your safety.

Be aware that grain dust is highly explosive when the following elements are present.

1. Oxygen.
2. Grain dust.
3. Confined space.
4. Source of ignition.
5. Dust in suspension.
6. Low moisture dust.
7. A minimum concentration of dust.

Although oxygen, grain dust, and confined space are always present, a source of ignition such as a faulty electrical connection, static electricity, a hot bearing, a spark from tramp metal in the grain stream, smoking, welding, or any similar operation producing a spark or open flame, is needed for an explosion to occur. The presence of dust in suspension, dust that is low in moisture, and a minimum concentration of dust should increase awareness to potential danger. Although warehouse inspectors have little opportunity to control the elements contributing to a dust explosion, be familiar with these

elements in an effort to avoid this type of hazard. If you believe conditions exist that are conducive to an explosion, you should discuss your concerns with the warehouse management and your supervisor.

Warehouse inspectors must wear personal protection equipment, as appropriate, including:

1. Head protection - must meet the American National Standards Institute and should be worn to prevent bumping the head on an object or being struck by a falling object. Damaged hats should be replaced immediately upon request.
2. Hearing protection - as required by the Occupational Safety & Health Act (OSHA) must be worn when warehouse examiners are exposed to noise at or above an 8-hour time-weighted average of 85 decibels.
3. Foot protection – steel toed shoes must should be worn when foot safety is a concern. Always wear shoes with non-slip soles that provide protection for prevailing conditions.
4. Eye protection – if you believe you will be exposed to chemical hazards or other conditions requiring auxiliary eye protection, request safety non-prescription glasses or goggles.
5. Fall protection – the licensee should provide you with safety harnesses as necessary.

Bin Warehouse Access

An inspector's greatest exposure to safety hazards will occur while measuring grain inventory. When accessing bins and warehouses, only safe devices should be used. The most common devices are fixed ladders, stairways, man lifts, catwalks, and roof ladders. Use only equipment meeting OSHA standards. If the only access available to a storage facility is unsafe, DO NOT access the container.

Use caution when accessing flat storage buildings especially if equipment is in operation. To safely inventory a flat building warehouse inspectors must.

1. Notify the equipment operator that you will be working in the building.
2. Always be aware of where machines are working and how long it will affect your safety.
3. Be aware of possible carbon monoxide levels from the exhaust emissions.
4. Notify the operator when you leave the building.
5. Do not use the bucket for being lifted or transported.

The bin floor is generally the primary access point when inventorying conventional wood or concrete elevators. While in the bin do not:

1. Step on a manhole cover or grate.
2. Step on, walk on, or step across a conveyor belt, even if it is idle.

3. Step upon the cover of an auger or drag conveyor – unless it is constructed to also be used as a catwalk in which case it must be fitted with special cover and handrails. If you are unsure, ask warehouse personnel.
4. Step across an uncovered auger or drag conveyor while it is in operation.

Always be alert for overhead obstructions and use caution when working around spilled grain. Also be alert for oil, water, or grease spills, portable power cords, rope, dust covers for grated openings, etc. Dust and spilled grain may hide a hazard which, otherwise, could be easily avoided. Such conditions also add to the risk of fire and/or dust explosion, and should be pointed out to management in your departure report. Also watch for uncovered manholes and unguarded openings. You have a right to safe access to all storage bins and it is important that you report any recognized unsafe conditions to the warehouse management.

Ladder Use

When using ladders, warehouse inspectors must.

1. Be aware of all overhead obstructions and be especially alert for overhead electrical service lines.
2. Place ladders only on solid and level footing. If using an extension ladder, be sure the extensions are in good working order.
3. Have someone hold the ladder to prevent slipping, if it rests against a rounded or uneven surface.
4. Be aware of overhead power lines and avoid contact.
5. Use the proper sized ladder. It should extend at least three feet above the dismount or working level.
6. Keep the feet of a straight portable ladder out from the bin wall one foot for each four feet of vertical distance being climbed.
7. Use only fixed ladders when access is more than 20 feet above the ground level.
8. Use cages, belts, or safety devices for primary access ladders more than 20 feet long. The rungs should be evenly spaced and not more than 12 inches apart.
9. Check for loose or missing rungs before using wood or aluminum ladders.
10. Check portable hook ladders (hanging) for rust or damage before using. Verify the “hooks” are still rounded and free of kinks, the top is hung over a solid object, and it does not exceed its working limit.
11. Check fixed ladders on bin exteriors to insure they are securely fastened to the bin. Stay alert for obstructions, such as spouts, landings, and electrical service wires.
12. Always use both hands when ascending or descending.
13. Always use extreme caution on slick, wet, or ice coated ladders and avoid whenever possible.
14. Never climb onto a ladder until a previous climber is off and clear of the ladder.

15. Do not use a fork-lift to reach the bottom rung of a bin ladder or reach the inspection door at the roof eve.
16. If the distance between the ground and the step-off point is greater than 30 feet, the ladder should be caged or partially enclosed, or equipped with another kind of approved safety device.

Driving Safety

Travel is part of the job of being a warehouse inspector and must practice safe driving at all times. Warehouse inspectors must.

1. Always wear seat belts.
2. Have a valid driver's license.
3. Observe all traffic ordinances.
4. Be aware of hazardous driving conditions.
5. Always drive defensively.

The purpose of this Safety Examination Guide is to help the inspectors be aware of the potential hazards in their work place. This guide will assist the inspectors in protecting themselves and others from work place hazards, and reduce or prevent accidents. This guide does not in any way relieve the inspectors from complying with all Commission policies.