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the bond is given, of the cotton represented by the lost or destroyed receipt. Such bond shall be in a form approved for the purpose by the Secretary, or his designated representative, shall be conditioned to indemnify the warehouseman against any loss sustained by reason of the issuance of such receipt, and shall have as surety thereon preferably a surety company which is authorized to do business, and is subject to service of process in a suit on the bond, in the State in which the warehouse is located, or at least two individuals who are residents of such State and each of whom owns real property therein having a value, in excess of all exemptions and encumbrances, equal to the amount of the bond.

§ 735.19 Printing of receipts.

No receipt shall be issued by a licensed warehouseman unless it is:

- (a) In a form prescribed by the Administrator;
- (b) Upon distinctive paper or card stock specified by the Administrator;
- (c) Printed by a printer with whom the United States has a subsisting agreement and bond for such printing; and
- (d) On paper and/or card stock tinted with ink in the manner prescribed by the agreement under paragraph (c) of this section.

[64 FR 54510, Oct. 7, 1999]

§ 735.20 Partial delivery of cotton.

If a warehouseman delivers a part only of a lot of cotton for which he has issued a negotiable receipt under the act, he shall take up and cancel such receipt and issue a new receipt in accordance with the regulations in this part for the undelivered portion of the cotton.

§ 735.21 Return of receipts before delivery of cotton.

Except as permitted by law or by the regulations in this part, a warehouseman shall not deliver cotton for which a negotiable receipt has been issued under the Act until such receipt has been returned and canceled; and shall not deliver cotton for which a non-negotiable receipt has been issued until such receipt has been returned or until

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the warehouseman has obtained from the person lawfully entitled to such delivery or their authorized agent, a written delivery order that is properly signed, specifying by bale or tag number, mark, or identifier each bale to be delivered from any receipt or receipts.

[64 FR 54510, Oct. 7, 1999]

§ 735.22 Omission of grade; no compulsion by warehouseman.

No licensed warehouseman shall, directly or indirectly by any means whatever, compel or attempt to compel the depositor of any cotton in his warehouse to request the issuance of a receipt omitting the statement of grade.

DUTIES OF LICENSED WAREHOUSEMAN

§ 735.23 Insurance; requirements.

(a) When requested in writing by the depositor of cotton in a licensed warehouse, or by the holder of the receipt covering such cotton, to insure such cotton against loss or damage by fire, lightning, and other risks, each licensed warehouseman shall secure in his own name such insurance under reporting forms of policies which automatically attach for the full value of such cotton, including daily changes of value through market fluctuations and changes in the quantity of such product from day to day, as soon as such cotton is placed in his legal custody, and he shall continue such insurance in effect so long as the cotton remains in his legal custody. Such insurance shall be covered by lawful policies issued by one or more insurance companies. Each warehouseman insuring cotton under the provisions of this section shall submit such reports to underwriters as may be required under the terms of such policies, and copies of such reports shall be submitted to the Department as it may require. If the warehouseman is unable to procure insurance to the extent requested, he shall, orally or by telegraph or by telephone, and at his own expense, immediately notify the person making the request of such fact. When insurance is not carried in the warehouseman's name, the receipt shall show that the cotton is not insured by the warehouseman.

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Nothing in this section shall be construed to prevent a licensed warehouseman from adopting a rule that he will insure all cotton stored in his warehouse, but if he elects to insure he shall accomplish such insurance through policies as above specified.

(b) Each warehouseman shall keep exposed conspicuously in the place prescribed by §735.6, and at such other place as the Administrator or his representative may from time to time designate, a notice, stating briefly the conditions under which the cotton will be insured against loss or damage by fire, lightning, and other risks.

§ 735.24 Premiums; inspections; reports.

Each warehouseman shall, in accordance with his contracts with insurance and bonding companies for the purpose of meeting the insurance and bonding requirements of the regulations in this part, pay such premiums, permit such reasonable inspections and examinations, and make such reasonable reports as may be provided for in such contracts.

§ 735.25 Warehouseman to collect and pay over insurance.

Each warehouseman shall promptly take such steps as may be necessary and proper to collect any moneys which may become due under contracts of insurance entered into by him for the purpose of meeting the requirements of the regulations in this part, and shall, as soon as collected, promptly pay over to the persons concerned any portion of such moneys which they may be entitled to receive from him.

§ 735.26 Care of cotton in licensed warehouse.

Each warehouseman shall at all times exercise such care in regard to cotton in his custody as a reasonably careful owner would exercise under the same circumstances and conditions.

§ 735.27 Care of other cotton and other commodities.

If, at any time, a warehouseman shall handle or store cotton otherwise than as a licensed warehouseman, or shall handle or store any other commodity, he shall so protect the same,

and otherwise exercise such care with respect to it, as not to endanger the cotton in his custody as a licensed warehouseman or impair his ability to meet his obligations and perform his duties under the act and the regulations in this part. Nonlicensed cotton shall be kept separate from licensed cotton.

§ 735.28 Records to be kept in safe place.

(a) Each warehouseman shall provide a metal fireproof safe, a fireproof vault, or fireproof compartment in which he shall keep, when not in actual use, all records, books, and papers pertaining to the licensed warehouse, including his current receipt book, copies of receipts issued, and canceled receipts or microfilm copies of canceled receipts except that with the written consent of the Administrator or his representative, upon a showing by such warehouseman that it is not practicable to provide such fireproof safe, vault, or compartment he may keep such records, books, and papers in some other place of safety, approved by the Administrator or his representative.

(b) Each canceled receipt or microfilm copy of each canceled receipt shall be retained by the warehouseman for a period of 6 years after December 31 of the year in which the receipt is canceled and for such longer period as may be necessary for the purposes of any litigation which the warehouseman knows to be pending, or as may be required by the Administrator in particular cases to carry out the purposes of the Act.

(c) Canceled receipts shall be arranged by the warehouseman in numerical order and otherwise in such manner as shall be directed, for purposes of audit, by authorized officers or agents of the Department of Agriculture.

(d) If microfilm copies of canceled receipts are to be retained in lieu of canceled receipts, the warehouseman shall:

(1) Have available at all times facilities for immediate, easily readable projection of the microfilm and for producing easily readable facsimile enlargements;