

ASSEMBLY, No. 2186

STATE OF NEW JERSEY

INTRODUCED JUNE 20, 1996

By Assemblyman GIBSON, Assemblywoman BARK and
Assemblyman Bodine

1 AN ACT concerning security requirements of licensed dealers in milk
2 or cream and amending R.S.4:12-4 and 4:12-11.

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4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

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7 1. R.S.4:12-4 is amended to read as follows:
8 4:12-4. A license shall not be issued unless and until the applicant
9 shall file with the secretary a good and sufficient surety bond, executed
10 by a surety company duly authorized to transact business in this State,
11 in a sum not less than one and one-half times the estimated maximum
12 monthly value of the milk or cream to be purchased or received or
13 which may have been purchased or received by the applicant from a
14 producer or producers during the preceding 12 months. The maximum
15 amount of the bond or deposit required from any applicant under the
16 provisions of this section shall not exceed [~~\$100,000.00~~] \$500,000.

17 The bond shall be approved as to form and sufficiency by the
18 secretary, shall be given to the secretary in his official capacity and
19 shall be conditioned for the faithful compliance by the licensee with the
20 provisions of this article and for the payment of all amounts due to
21 producers who have sold milk or cream to the licensee, during the
22 period that the license is in force.

23 The applicant may, in lieu of such bond, deposit with the secretary
24 money, or transferable United States Treasury bonds, notes,
25 certificates, bills or other obligations issued or fully and
26 unconditionally guaranteed by the United States Government both as
27 to principal and interest in transferable bearer form in an amount equal
28 to the sum secured by the bond required to be filed.

29 The money or securities so deposited shall constitute a separate
30 fund and shall be held in trust for, and applied exclusively to, the
31 payment of claims against the licensee making the deposit, arising from
32 the sale of milk or cream to him, and all proceeds from the surety
33 bonds, money or securities shall be distributed to the

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 producer-creditors by the secretary.

2 (cf: P.L.1971, c.83, s.1)

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4 2. R.S.4:12-11 is amended to read as follows:

5 4:12-11. A licensee shall make a verified statement of his
6 disbursements during a period to be prescribed by the secretary,
7 containing the names of the producers from whom such products were
8 purchased and the amount due to [said] the producers.

9 The statement shall be submitted to the secretary when requested
10 by him and shall be in form as prescribed by him.

11 If it appears from such statement or other facts ascertained by him,
12 upon inspection or investigation of the books and papers of the
13 licensee as authorized by sections 4:12-14 and 4:12-15 of this Title,
14 that the security afforded to producers selling milk or cream to the
15 licensee, by the bond executed or deposit made as provided in this
16 article, does not adequately protect [said] the producers, the secretary
17 may require the licensee to give an additional bond or to deposit
18 additional money or securities, to be executed or deposited as
19 provided in this article, in a sum to be determined by the secretary but,
20 such additional requirement as provided under this section shall not
21 exceed [~~\$100,000.00~~] \$500,000. Before making a determination on
22 the requirement of an additional bond, money or securities as provided
23 in this section, the secretary shall hold a hearing if requested in writing
24 by the licensee. In making such determination, the secretary shall
25 consider the volume of milk currently being purchased; indebtedness;
26 assets; accounts payable and receivable; sales trends; and other factors
27 he may consider relevant in determining the financial condition of the
28 licensee.

29 The licensee may in lieu of additional bond or deposit of additional
30 money or securities, as provided under this section, offer and the
31 secretary may approve payment to producers on a more frequent
32 schedule than that provided by law.

33 (cf: P.L.1971, c.83, s.2)

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35 3. This act shall take effect immediately.

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STATEMENT

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40 Currently, an applicant for a milk dealer license must file a surety
41 bond of up to \$100,000 and, in certain cases, an additional bond of up
42 to \$100,000. This amount has not been adjusted in more than 20 years
43 and is no longer adequate. This bill would increase the maximum
44 amount of the initial bond or any additional bond to \$500,000.

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3 Increases the bonding requirement for milk dealers to \$500,000.