

(b) Has violated the conditions of the permit;

(c) Has made a false statement as to any material fact in the application for the permit;

(d) Has failed to disclose any material information required to be furnished under this part;

(e) Has violated or conspired to violate any law of the United States relating to intoxicating liquor;

(f) Has been convicted of any offense under title 26 U.S.C. punishable as a felony or of any conspiracy to commit such offense; or

(g) Has not engaged in any of the operations authorized by the permit for a period of more than 2 years.

(26 U.S.C. 5271)

BONDS

§ 19.699 General bond requirements.

(a) *Operations bond.* Any person who plans to establish a large plant, a medium plant, or a small plant without production operations must provide an operations bond on form TTB F 5110.56, Distilled Spirits Bond, in duplicate, with the original permit application. If a proprietor fails to pay any liability covered by the bond, TTB may seek payment from the proprietor, from the surety on the bond, or from both the proprietor and the surety. Additional provisions applicable to bonds for alcohol fuel plants are found in subpart F of this part in §§ 19.155 through 19.157 and §§ 19.167 through 19.173.

(b) *Corporate surety.* A company that issues bonds is called a “corporate surety.” Proprietors must obtain the surety bonds required by this subpart from a corporate surety approved by the Secretary of the Treasury. The Department of the Treasury publishes a list of approved corporate sureties in Treasury Department Circular No. 570, “Companies Holding Certificates of Authority as Acceptable Sureties on Federal Bonds and as Acceptable Reinsuring Companies.” Circular No. 570 is published annually in the FEDERAL REGISTER. The most current edition of the circular is posted at the Web site of the Financial Management Service, Department of the Treasury, at <http://www.fms.treas.gov/c570>. Printed copies of Circular No. 570 are available for

purchase from the Government Printing Office.

(c) *Alternative to a corporate surety.* A proprietor may also guarantee payment under a bond without using a corporate surety, by filing a bond that guarantees payment of the liability by pledging and depositing one or more acceptable negotiable securities having a par value (face amount) equal to or greater than the penal sums of the required bonds. Should the proprietor fail to pay one or more of the guaranteed liabilities, TTB may take action to sell the deposited securities to satisfy the debt. Pledged securities will be released to the proprietor if there are no outstanding liabilities when the bond is terminated; the provisions of § 19.173 apply to the release of pledged securities under this subpart. A list of securities acceptable as collateral in lieu of surety bonds is available from the Bureau of the Public Debt, Office of the Commissioner, Government Securities Regulations Staff. Current information and guidance from the Bureau of the Public Debt Web site may be found at <http://www.publicdebt.treas.gov>.

(26 U.S.C. 5173, 5181; 31 U.S.C. 9301, 9303, 9304, 9306)

§ 19.700 Amount of bond.

A proprietor must determine the penal sum of the bond based on the total quantity of distilled spirits that will be produced and received during a calendar year. The method for computing required bond amounts is as follows:

(a) *Small plants without production operations.* A proprietor that operates a small plant that receives not more than 10,000 proof gallons of spirits per year and does not conduct bona fide production operations must provide a bond with a penal sum of \$1,000.

(b) *Medium plants.* A proprietor that operates a medium plant that produces and receives more than 10,000 but not more than 20,000 proof gallons of spirits per year must provide a bond with a penal sum of at least \$2,000.00. The proprietor must increase the penal sum of the bond by \$1,000 for each additional 10,000 gallons, or fraction of 10,000 gallons, (over 20,000 gallons) that will be produced or received. The maximum bond for a medium plant is \$50,000.00,

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representing the penal sum applicable to 500,000 proof gallons. The following table provides examples of required minimum bond amounts:

ANNUAL PRODUCTION AND RECEIPTS IN PROOF GALLONS

More than	But not over	Amount of bond
10,000	20,000	\$2,000
20,000	30,000	3,000
90,000	100,000	10,000
190,000	200,000	20,000
490,000	500,000	50,000

(c) *Large plants.* A proprietor that operates a large plant that produces and receives more than 500,000 but not more than 510,000 proof gallons of spirits per year must provide a bond with a penal sum of at least \$52,000.00. The proprietor must increase the penal sum of the bond by \$2,000 for each additional 10,000 gallons, or fraction of 10,000 gallons (over 510,000 gallons) that will be produced and received. The maximum bond for a large plant is \$200,000.00. The following table provides examples of required minimum bond amounts:

ANNUAL PRODUCTION AND RECEIPTS IN PROOF GALLONS

More than	But not over	Amount of bond
500,000	510,000	\$52,000
510,000	520,000	54,000
740,000	750,000	100,000
990,000	1,000,000	150,000
1,240,000	—	200,000

(d) *New or strengthening bonds.* A proprietor must obtain a new bond or a strengthening bond in accordance with §19.167 if the level of production and receipts at the alcohol fuel plant increases so that the current bond no longer is in the amount of at least the required minimum penal sum.

(26 U.S.C. 5173, 5181)

REQUIREMENTS FOR CONSTRUCTION, EQUIPMENT, AND SECURITY

§ 19.703 Construction and equipment.

A proprietor must construct and arrange the buildings and enclosures where distilled spirits will be produced, processed, or stored so as to ensure adequate security and deter the diversion of spirits. Distilling equipment

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must be constructed to prevent unauthorized removal of spirits, from the point where distilled spirits come into existence until production is complete and the quantity of spirits has been determined. A proprietor also must equip tanks and other vessels so that they may be locked and must provide a method for determining the quantity of spirits in each vessel.

(26 U.S.C. 5178)

§ 19.704 Security.

(a) *General.* The proprietor of an alcohol fuel plant must provide adequate security measures at the alcohol fuel plant in order to protect against the unauthorized removal of spirits.

(b) *Storage.* The proprietor must store spirits in a building or a storage tank, or within an enclosure, that will be kept locked when operations are not being conducted.

(c) *Additional security.* The appropriate TTB officer may require additional security measures for the premises if the alcohol fuel plant's security is found to be inadequate. The additional measures required may depend upon past security problems experienced at the alcohol fuel plant, the volume of alcohol produced, the risk to tax revenue, and any safety requirements. Additional security measures may include, but are not limited to:

- (1) A fence around the alcohol fuel plant;
- (2) Flood lights;
- (3) A security or alarm system;
- (4) A guard service; or
- (5) Locked or barred windows.

(26 U.S.C. 5178, 5202)

TTB RIGHTS AND AUTHORITIES

§ 19.706 Supervision of operations.

TTB may assign appropriate TTB officers to supervise operations at an alcohol fuel plant at any time. Appropriate TTB officers may exercise certain rights and authorities at an alcohol fuel plant. Those rights and authorities are set forth in the following provisions of this part: §19.11 (right of entry and examination), §19.12 (furnishing facilities and assistance), §19.13 (assignment of officers and supervision