

STATE OF NORTH DAKOTA
COUNTY OF GRAND FORKS

IN DISTRICT COURT
NORTHEAST CENTRAL JUDICIAL DISTRICT

Public Service Commission
Petitioner,
vs.
Northwood Mills LLLP
and
Travelers Casualty and Surety
Company of America
Respondents.

CIVIL NO. _____

AFFIDAVIT OF SERVICE
BY CERTIFIED MAIL

PSC Case No. GE-09-31

STATE OF NORTH DAKOTA)
)ss
COUNTY OF BURLEIGH)

John Hamre deposes and says that:

he is over the age of 18 years and not a party to this action and, on the **2nd day of February, 2009**, he deposited in the United States Mail, Bismarck, North Dakota, **five envelopes** with certified postage, return receipt requested, fully prepaid, securely sealed and containing a photocopy of:

1. Application for Appointment as Trustee and Motion to Join Surety as Party and for Deposit of Bond Proceeds
2. Affidavit of Susan K. Richter
3. Brief in Support of Application for Appointment as Trustee and Motion to Join Surety as Party and for Deposit of Bond Proceeds
4. Notice of Application for Appointment as Trustee and Notice of Motion to Join Surety as Party and for Deposit Bond Proceeds Under Rule 3.2
5. Affidavit of Service by Certified Mail

The envelopes were addressed as follows:

Clarence G. Leschied, General Partner
Northwood Mills LLLP
216 South Raymond Street
Thompson, ND 58267-4208

Cert. No. 7007 0710 0003 6055 1640

Pam Hamblin - Bond Claim Department
Travelers Casualty & Surety Co of America
One Tower Square (S202A)
Hartford, CT 06183

Cert. No. 7007 0710 0003 6055 1602

Adam Hamm, Insurance Commissioner
State Capitol, Fifth Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0320
Cert. No. 7007 0710 0003 6055 1657

Paul Sproule, General Partner &
Registered Agent for Northwood Mills LLLP
PO Box 14867
Grand Forks, ND 58208-4867

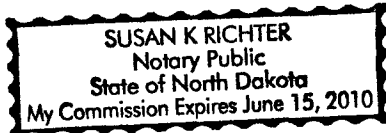
Cert. No. 7007 0710 0003 6055 1633

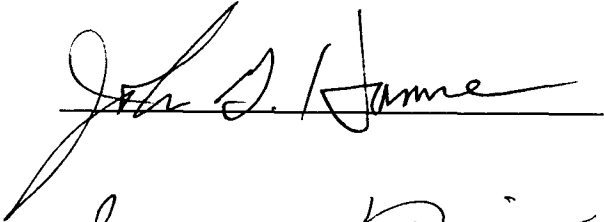

Ron Dejongh, General Manager
Columbia Grain-Midwest Division
400 South 4th Street
808 Grain Exchange Building
Minneapolis, MN 55145

Cert. No. 7007 0710 0003 1619

Subscribed and sworn to before me
this 2nd day of February, 2009.

SEAL





Notary Public

STATE OF NORTH DAKOTA
COUNTY OF GRAND FORKS

IN DISTRICT COURT
NORTHEAST CENTRAL JUDICIAL DISTRICT

Public Service Commission	)	CIVIL NO. _____
)	
Petitioner,)	
)	
vs.)	
	)	APPLICATION FOR
Northwood Mills LLLP	)	APPOINTMENT AS
	)	TRUSTEE AND MOTION
and	)	TO JOIN SURETY AS PARTY
	)	AND FOR DEPOSIT OF BOND
Travelers Casualty and Surety	)	PROCEEDS
Company of America)	
)	
Respondents.)	
)	
)	
PSC Case No. GE-09-31)	
)	

The North Dakota Public Service Commission (Commission) alleges as follows:

1.

Northwood Mills LLLP, a North Dakota Limited Liability Limited Partnership, authorized to business in North Dakota, operates a grain warehouse at Northwood, North Dakota, and is licensed under North Dakota Century Code Chapters 60-02 and 60-04.

2.

Northwood Mills LLLP operates the grain warehouse facility at Northwood under license number 1184.

3.

A surety bond is on file with the Commission as required by North Dakota Century Code §60-02-09. The surety bond is for \$50,000 and identified as number 104 796 578 with Travelers Casualty & Surety Company of America, One Tower Square, Hartford, Connecticut 06183, as surety.

4.

On January 9, 2009, Rachel Hellyer, Controller for Northwood Mills LLLP informed the Commission via a phone call that all grain inventories had been crushed into oil and there was no grain inventory in the warehouse facility. On January 14, 2009, the Commission received written notification of the same from Geoffrey Bengtson, General Manager of Northwood Mills LLLP.

5.

On January 20, 2009, the Commission received a letter from Columbia Grain – Midwest Division setting forth a claim against Northwood Mills LLLP for collection of outstanding funds owing to Columbia Grain – Midwest Division, 400 South 4th Street, 808 Grain Exchange Building, Minneapolis, Minnesota 55145, in the amount of \$19,399.26 for the purchase of 1,297.85 hundredweight of canola. Copies of the letter and supporting documentation are attached as Exhibit A.

6.

On January 21 and 22, 2009, an inspection subsequent to the claim confirmed that there was no grain inventory in the Northwood facility. However, the records provided during the inspection indicated that there were grain product assets consisting of meal in the Northwood facility and oil in rail tankards in Larimore.

7.

The Commission was informed and believes that there are outstanding obligations for any unpaid claims for grain sold to Northwood Mills LLLP as a public warehouseman under North Dakota Century Code Chapter 60-02 for which bond protection is available under the provisions of North Dakota Century Code §60-02-09 and for any credit-sale contracts for which protection is available from the credit-sale contract indemnity fund under North Dakota Century Code §§60-10-04 and 60-10-05.

8.

Northwood Mills LLLP is insolvent under North Dakota Century Code Chapter 60-04, in that it is unable upon proper demand to make payment for grain purchased or make redelivery for grain delivered.

9.

The Commission is legally entitled to be appointed trustee of the trust fund provided under North Dakota Century Code Chapter 60-04.

10.

All bond proceeds will be needed to redeem outstanding receipts issued by Northwood Mills LLLP. North Dakota Century Code §60-04-03.3 provides

The surety on the warehouseman's bond must be joined as a party to the insolvency proceeding upon a motion by the commission when the commission believes that proceeds from the warehouseman's bond may be needed to redeem outstanding receipts issued by the warehouseman. When it appears in the best interests of the receipt holders, the court may order the surety to deposit the penal sum of the bond, or so much thereof as may be deemed necessary, into the trustee's trust account pending a final determination of the surety's liability under the bond.

11.

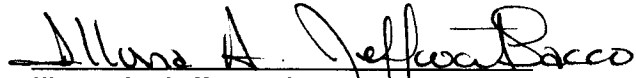
Proceeds from the credit-sale contract indemnity fund will be needed to meet the licensee's obligations to any holders of credit-sale contracts. North Dakota Century Code §60-10-05 provides:

Upon the insolvency of a licensed public warehouse or grain buyer and a declaration that the Public Service Commission serve as the trustee, the Public Service Commission shall make the proceeds of the credit-sale contract indemnity fund available for use in meeting the licensee's obligations with respect to the reimbursement of any person who sold grain to the licensee under a credit-sale contract and who was not fully compensated in accordance with the contract.

WHEREFORE the Public Service Commission respectfully requests:

1. That the Court declare Northwood Mills LLLP **INSOLVENT** within the meaning of North Dakota Century Code Chapter 60-04 and establish the date of insolvency as January 20, 2009.
2. That the Court **APPOINT** the Public Service Commission as trustee of the trust fund under North Dakota Century Code §60-04-03.
3. That the Court join Travelers Casualty and Surety Company of America, One Tower Square, Hartford, Connecticut 06183, as surety on the bond for Northwood Mills LLLP, as a respondent in this action.
4. That the Court order Travelers Casualty and Surety Company of America, as surety, to deposit the penal sum of the bond in the amount of \$50,000 in the trustee's trust account for payment of valid claims.

Bismarck, North Dakota, this 2nd day of February, 2009.

A handwritten signature in black ink, appearing to read "Illona A. Jeffcoat-Sacco". The signature is written in a cursive style and is positioned above the typed name.

Illona A. Jeffcoat-Sacco (ID#03315)

Annette Bendish (ID#03790)

Special Assistant Attorneys General

State Capitol – 12th Floor

600 E Boulevard Ave – Dept 408

Bismarck, North Dakota 58505-0480

701-328-2400

Attorneys for the Public Service Commission

STATE OF NORTH DAKOTA

IN DISTRICT COURT

COUNTY OF GRAND FORKS

NORTHEAST CENTRAL JUDICIAL DISTRICT

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Public Service Commission)
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Petitioner,)
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vs.)
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and)
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Travelers Casualty and Surety)
Company of America)
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Respondents.)
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PSC Case No. GE-09-31)
))
_____)

CIVIL NO. _____

AFFIDAVIT OF
SUSAN K. RICHTER

STATE OF NORTH DAKOTA)
)ss
COUNTY OF BURLEIGH)

Susan K. Richter being duly sworn states as follows:

1. That she is a citizen of the United States of America, of legal age, residing at Bismarck, North Dakota.
2. That she is the Director of the Licensing Division for the Public Service Commission (Commission) and as such is charged with the duty of enforcing the provisions of North Dakota Century Code Chapter 60-04.
3. That on January 9, 2009, affiant was notified via a phone call from Rachel Hellyer, Controller for Northwood Mills LLLP, that all canola purchases were

suspended at their Northwood grain elevator. Ms. Hellyer also notified affiant that the final day of receipt of canola was December 31, 2008 and the final day of crush was January 7, 2009, and Northwood Mills LLLP would be working to liquidate the oil inventories with a goal to satisfy all debts. On January 14, 2009, affiant received written notification of the same from Geoffrey Bengtson, General Manager of Northwood Mills LLLP.

4. That affiant was informed via a phone call from Ron DeJongh, General Manager with Columbia Grain – Midwest Division, that Columbia Grain had not been paid as provided in their purchase contract for the approximately \$20,000 of canola that Columbia Grain sold to Northwood Mills and asked that the Commission take action on behalf of claimants. On January 14, 2009, an e-mail message was received and on January 20, 2009 a written claim was received from Columbia Grain against Northwood Mills LLLP.
5. That a division inspection of the Northwood facilities and grain records conducted on January 21 and 22, 2009, disclosed that Northwood Mills LLLP is unable to make payment for grain purchased or to make redelivery and is insolvent under the provisions of North Dakota Century Code §60-04-02.
6. That affiant was informed and has reason to believe that there are outstanding obligations for unpaid claims for grain sold to Northwood Mills LLLP as a public warehouseman under North Dakota Century Code Chapter 60-02 for which bond protection is available under the provisions of North Dakota Century Code §60-02-09 and for credit-sale contracts for which protection is available from the

credit-sale contract indemnity fund under North Dakota Century Code §§60-10-04 and 60-10-05.

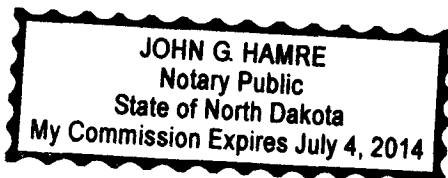
7. That affiant was informed that at the time of filing of claim that precipitated this insolvency there was no grain inventory in the Northwood facility and an inspection subsequent to the claim confirmed there was no grain inventory.
8. That affiant was informed and records provided during the inspection indicated that there were grain product assets consisting of meal in the Northwood facility and oil in rail tankards in Larimore.
9. That affiant believes that it is in the public interest to immediately appoint the Commission as trustee and to join the surety as a respondent in the action and require the surety to deposit the penal sum of the bond under North Dakota Century Code Chapter 60-04.
10. That the affidavit is made for the purpose of securing the appointment of the Commission as trustee of Northwood Mills LLLP, preserving any assets of the trust, joining Travelers Casualty and Surety Company of America as surety, and ordering the surety to deposit the penal sum of the bond under North Dakota Century Code Chapter 60-04.

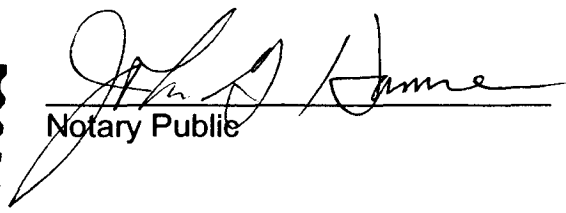
Bismarck, North Dakota, this 2nd day of February, 2009.



Subscribed and sworn to me this 2nd day of February, 2009.

S E A L




Notary Public

STATE OF NORTH DAKOTA
COUNTY OF GRAND FORKS

IN DISTRICT COURT
NORTHEAST CENTRAL JUDICIAL DISTRICT

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Public Service Commission)	CIVIL NO. _____
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Petitioner,)	
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vs.)	
)	BRIEF IN SUPPORT OF
Northwood Mills LLLP)	APPLICATION FOR
)	APPOINTMENT AS TRUSTEE
and	)	AND MOTION TO JOIN
	)	SURETY AS PARTY AND FOR
Travelers Casualty and Surety	)	DEPOSIT OF BOND
Company of America	)	PROCEEDS
)	
Respondents.)	
_____)	
PSC Case No. GE-09-31)	
_____)	

The Public Service Commission (Commission) has jurisdiction over public grain warehouses under North Dakota Century Code Chapters 60-02 and 60-04, which provides for the appointment of the Commission as trustee of the assets of a public warehouse upon the filing of a notice with the Commission that the public warehouseman has defaulted in the payment for grain purchased by the buyer.

The Commission received a claim from Columbia Grain – Midwest Division, 400 South 4th Street, 808 Grain Exchange Building, Minneapolis, Minnesota 55415 against Northwood Mills LLLP for collection of outstanding funds owed to Columbia Grain –

Midwest Division for grain sold to Northwood Mills LLLP. Northwood Mills LLLP is unable, upon proper demand, to pay for grain purchased.

The Commission is informed and has reason to believe that there are outstanding obligations for unpaid claims for grain sold to Northwood Mills LLLP as a public warehouseman under North Dakota Century Code Chapter 60-02 for which bond protection is available under the provisions of North Dakota Century Code §60-02-09 and for credit-sale contracts for which protection is available from the credit-sale contract indemnity fund under North Dakota Century Code §§60-10-04 and 60-10-05.

It is in the best interests of all claimants that the Commission be appointed Trustee, and be given the powers under North Dakota Century Code Chapters 60-04 and 60-10 so that all claimants will be treated fairly.

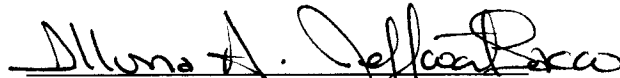
It is in the best interest of all claimants that the surety be joined as a party as provided for under North Dakota Century Code §60-04-03.3 and be required to deposit bond funds with the trustee for payment of valid claims to any persons holding receipts other than credit-sale contracts from the licensee for grain sold or stored.

Upon the insolvency, the Commission has the authority under North Dakota Century Code §60-10-05 to make payment to any person who sold grain to the licensee under a credit-sale contract and who was not fully compensated under the contract.

The Court has jurisdiction under North Dakota Century Code §60-04-03, which provides for the filing of this action in the District Court, Northeast Central Judicial District.

Bismarck, North Dakota, this 2nd day of February, 2009.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Illona A. Jeffcoat-Sacco". The signature is written in a cursive style and is positioned above a horizontal line.

Illona A. Jeffcoat-Sacco (ID#03315)

Annette Bendish (ID#05790)

Special Assistant Attorneys General

Public Service Commission

State Capitol – 12th Floor

600 E Boulevard Ave – Dept 408

Bismarck, North Dakota 58505-0480

701-328-2400

Attorneys for the Public Service Commission

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**NOTICE OF APPLICATION
FOR APPOINTMENT AS
TRUSTEE AND NOTICE
OF MOTION TO JOIN SURETY
AS PARTY AND FOR DEPOSIT
OF BOND PROCEEDS
UNDER RULE 3.2**

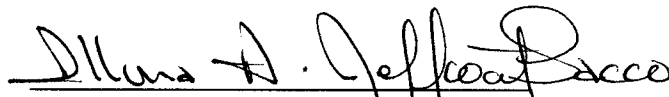
- TO: Clarence G. Leschied, General Partner, Northwood Mills LLLP, 216 South Raymond Street, Thompson, ND 58267-4208**
- Paul Sproule, General Partner/Registered Agent for Northwood Mills LLLP, PO Box 14867, Grand Forks, ND 58208-4867**
- Pam Hamblin, Bond Claim Department, Travelers Casualty and Surety Company of America, One Tower Square (S202A), Hartford, CT 06183**
- Adam W. Hamm, Insurance Commissioner, State Capitol – 5th Floor, 600 East Boulevard Avenue, Bismarck, ND 58505-0320**
- Ron DeJongh, General Manager, Columbia Grain-Midwest Division, 400 South 4th Street, 808 Grain Exchange Building, Minneapolis, MN 55145**

PLEASE TAKE NOTICE that the Public Service Commission, Movant in the above proceeding, respectfully moves the Court for an order appointing the Public

Service Commission Trustee for Northwood Mills LLLP, joining the surety as a party to the action, and ordering the surety to deposit the penal sum of the bond in the amount of \$50,000 in the trustee's trust account. The application and motion, affidavit and brief in support of the application and motion are attached to this notice and by reference made a part hereof.

YOU ARE HEREWITH NOTIFIED that the attached Application for Appointment as Trustee and Motion to Join Surety as Party and for Deposit of Bond Proceeds has been submitted to the Court pursuant to Rule 3.2 of the North Dakota Rules of Court. The motion will be decided on briefs unless oral argument is timely requested. You have ten (10) days after the service of the Notice to file your response and other supporting papers.

Bismarck, North Dakota, this 2nd day of February, 2009.



Ilona A Jeffcoat-Sacco (ID#03315)
Annette Bendish (ID#05790)
Special Assistant Attorneys General
Public Service Commission
State Capitol – 12th Floor
600 E Boulevard Ave – Dept 408
Bismarck, North Dakota 58505-0480
701-328-2400

Attorneys for the Public Service Commission