

STATE OF NORTH DAKOTA

IN DISTRICT COURT

COUNTY OF GRAND FORKS

NORTHEAST CENTRAL JUDICIAL DISTRICT

_____)
Public Service Commission)
))
Petitioner,)
vs.)
Northwood Mills LLLP)
))
Respondent.)
_____)
PSC Case No. GE-09-31)
_____)

CIVIL NO. 18-09-C-00251

**REPORT AND
RECOMMENDATION
OF TRUSTEE**

The Public Service Commission (Commission) as Trustee, makes the following Report and Recommendation to the Court:

1. Northwood Mills LLLP, a North Dakota Limited Liability Limited Partnership, authorized to do business in North Dakota, operated a grain warehouse at Northwood, North Dakota, under grain warehouse license number 1184 issued under N.D.C.C. Chapter 60-02.
2. As part of the licensing process, Northwood Mills LLLP filed with the Commission a \$50,000 surety bond as required by N.D.C.C. §60-02-09, identified as number 104 796 578 issued by Travelers Casualty & Surety Company of America, One Tower Square, Hartford, Connecticut 06183, as surety.
3. On January 9, 2009, Rachel Hellyer, Controller for Northwood Mills LLLP informed the Commission via phone 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.
4. On January 20, 2009, the Commission received a letter from Columbia Grain, 400 South 4th Street, 808 Grain Exchange Building, Minneapolis, Minnesota 55415 – Midwest Division, setting forth a claim against Northwood Mills LLLP for collection of outstanding funds owed to Columbia Grain – Midwest Division, in the amount of \$19,399.26 for the purchase of 1,297.85 hundredweight of canola.

5. 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, North Dakota.
6. On February 2, 2009, the Commission applied to the District Court for an order finding Northwood Mills LLLP insolvent, appointing the Commission trustee of the trust fund provided by N.D.C.C. §60-04-03 for the purpose of marshalling all trust assets of Northwood Mills LLLP, and joining the surety, Travelers Casualty and Surety Company of America, as a respondent in the action.
7. On the date the Commission applied to the District Court for an order finding Northwood Mills LLLP insolvent and appointing the Commission trustee, a surety bond was on file with the Commission as required by N.D.C.C. §60-02-09. The surety bond was for \$50,000 and identified as number 104 796 578 issued by Travelers Casualty and Surety Company of America, One Tower Square, Hartford, Connecticut 06183, as surety.
8. On March 9, 2009, a check in the amount of \$50,000 was received from Travelers Casualty and Surety Company of America.
9. On March 31, 2009, the Commission released Travelers Casualty and Surety Company of America from liabilities under Grain Elevator Warehouse Bond No. 104 796 578.
10. Also on March 31, 2009, the Commission forwarded a partially executed Stipulation to Withdraw Request to Join Surety as Party and Deposit of Bond Proceeds and a substitute Order Appointing Trustee to Douglas Christensen, attorney for Travelers Casualty and Surety Company of America, together with a request to sign and file an original fully executed Stipulation and the substitute Order Appointing Trustee with the Court. Mr. Christensen signed and forwarded the executed Stipulation to Withdraw Request to Join Surety as Party and Deposit of Bond Proceeds and the substitute proposed Order to District Court.
11. On April 8, 2009, the District Court declared Northwood Mills LLLP insolvent and appointed the Commission trustee of the trust fund provided by N.D.C.C. §60-04-03 for the purpose of marshalling all trust assets of Northwood Mills LLLP. The Order was filed with the Clerk of the District Court on April 14, 2009. A copy of the Notice of Entry of Order with attached copy of the signed Order Appointing Trustee and Notice of Appointment as Trustee and Notice to File Claims was sent by regular mail to eleven persons the Commission identified as potential claimants in the insolvency proceeding from records of Northwood Mills LLLP and other sources. Additional copies were sent to Adam Hamm, North Dakota Insurance

Commissioner, Clarence G. Leschied, General Partner of Northwood Mills LLLP, Paul Sproule, General Partner & Registered Agent for Northwood Mills LLLP, and Pam Hamblin - Bond Claim Department, Travelers Casualty & Surety Co of America. The notice required the filing of claims with the Commission within 45 days of the second publication of the notice.

12. On April 25 and May 2, 2009, the Notice of Appointment as Trustee and Notice to File Claims was published as a legal publication in the Grand Forks Herald, the official county newspaper of Northwood, North Dakota. Claimants had until June 16, 2009, to file claims with the Commission.
13. After publication, eleven claims were filed with the Commission in the total amount of \$880,009.90 as shown below, and with detail on Exhibit A to this report.

Claimant Name	Claim Filed
a. Cando Farmers Grain & Oil CO-OP	\$129,999.42
b. Columbia Grain-Midwest Division	\$ 19,399.26
c. CHS Inc.	\$ 51,699.76
d. Alan Collette	\$119,066.85
e. Delmar Commodities LTD	\$ 34,927.48
f. Donald Emerson	\$ 14,938.21
g. FGDI LLC	\$147,286.09
h. Karsky Brothers	\$ 8,329.23
i. North Central Grain	\$261,749.02
j. Os nabrock Farms Coop Elevator	\$ 20,297.23
k. Viterra	\$ 72,317.35

14. There are no grain assets or unencumbered proceeds available to pay claims. The \$50,000 bond proceeds on file with the Commission are needed to redeem outstanding claims for grain purchased for cash by Northwood Mills LLLP through its Northwood, North Dakota facility. Payments to valid claimants will be prorated for payment with available funds from the bond proceeds, with each claimant receiving approximately 5.8% of its valid claim. There are insufficient funds available to pay interest on the claims.
15. The Commission recommends that approximately 5.8% of each valid claim be paid. The final amounts to be paid will be determined once Court approval is received and interest on the bonded proceeds is calculated and added to the \$50,000. The valid claim amounts recommended by the Commission total \$860,531.95, and are detailed in Exhibit A:

Claimant Name	Valid Claim
a. Cando Farmers Grain & Oil CO-OP	\$129,899.42
b. Columbia Grain-Midwest Division	\$ 19,399.26

c. CHS Inc.	\$ 50,891.69
d. Alan Collette	\$118,472.92
e. Delmar Commodities LTD	\$ 34,927.48
f. Donald Emerson	\$ 14,908.09
g. FGDI LLC	\$147,286.09
h. Karsky Brothers	\$ 8,261.51
i. North Central Grain	\$251,473.67
j. Osnabrock Farms Coop Elevator	\$ 20,297.23
k. Viterra	\$ 64,614.59

16. The Commission makes no claim for its expenses in this proceeding.

Wherefore the Commission asks the Court to:

1. Set a time and place for hearing with the appropriate notice for interested parties to show cause why the Report and Recommendation of Trustee should not be approved.
2. Approve the Report and Recommendation of Trustee.
3. Authorize the Commission to make prorated payments of bond proceeds consistent with paragraph 15 and Exhibit A of this Report and Recommendation to persons with valid claims for grain purchased for cash by Northwood Mills LLLP at its Northwood, North Dakota facility.

Respectfully submitted at Bismarck, North Dakota, this **29th day of July, 2009.**



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Northwood Mills LLLP
 Grain Warehouse
 CIVIL NO. 18-09-C-00251
 Insolvency - GE-09-31

Exhibit A

Claimants Name & Address	Contract No.	Grain	Net bu/cwt/MT	Claim Filled	Warehouseman's Obligations	Discounts	Invalid Amount	Valid Claim
Cando Farmers Grain & Oil CO-OP PO Box 486 Cando, ND 58324	P255	Canola	956.72	\$ 14,341.23				\$ 14,341.23
	P275	Canola	2426.22	\$ 32,147.42				\$ 32,147.42
	P277	Canola	2430.44	\$ 35,265.68				\$ 35,265.68
	P281	Canola	1250.31	\$ 18,879.63				\$ 18,879.63
	P283	Canola	600	\$ 8,988.00				\$ 8,988.00
	P286	Canola	900	\$ 13,203.00				\$ 13,203.00
	P291	Canola	491.65	\$ 7,374.46	129,835.33			\$ 7,374.46

Contract P266 stated it was a delayed pricing contract that must be priced during market hours on or before 30 Mar 2009. Since a price was not established on the contract, the valid claim was computed based on the price on January 20, the insolvency date. The Commission received a price of 14.99 per cwt. from ADM Velve to establish the value of this contract. Warehouseman obligation is less because of lower price used to establish value of Contract P266.

Columbia Grain-Midwest Division Ron DeJongh General Manager 400 South 4th Street 808 Grain Exchange Building Minneapolis, MN 55415	P289	Canola	1287.85	\$ 19,389.26	\$ 19,467.66			\$ 19,389.26
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Records from the Warehouseman show that \$68.40 more is owed than the Claimant is claiming. The difference is made from pricing of canola from previous contract price on 97.85 cwt.

CHS Inc. Attn: MS 306 Randy 5800 Cenex Drive Inver Grove Heights, MN 56077	P290	Canola	2784.19	\$ 41,762.85	41,762.87			\$ 41,762.87
	P256	Canola	648.2	\$ 9,936.91	9,129.02		\$ 808.07	\$ 9,129.02

Amount difference between Warehouseman and Claimant is due to gross cwt. verses net cwt.

Alan Collette 18621 Highway 17 Grathon, ND 58237-8738	P11	Soybeans	15527.538	\$ 119,066.85	\$ 119,066.85	\$ (593.93)		\$ 118,472.92
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Discount is for Soybean check off

Daimar Commodities LTD 916 Navigator Drive, Box 1068 Winkler, MB R6W 4B1	P251	Canola	4311.671 bu	\$ 34,927.48	\$ 34,502.75			\$ 34,927.48
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Claimant's claim is \$34,927.48. Warehouseman's amount \$34,602.75. \$424.73 difference is based on contract being filled and average sold at lower price than Claimant agreed to.

Donald Emerson 9968 Old Highway 81 Pembina, ND 58271	P285	Canola	1003.91	\$ 14,938.21	\$ 14,931.95	\$ (30.12)		\$ 14,908.09
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Contract P285 was over filled by Claimant and therefore he is claiming more than the Warehouseman in the sum of \$6.26 cents contract price difference. Discount for canola check off

Claimants Name & Address	Contract No.	Grain	Net bu/cwt/MT	Claim Filled	Warehouseman's Obligations	Discounts	Invalid Amount	Valid Claim
FGDI LLC 42 William Street South Chatham, ON N7M 4S3	P272	Canola	571,909 MT	\$ 147,286.09	\$ 147,536.96			\$ 147,286.09

Claimant's contract was for Metric Tons (MT).
Warehouseman shows that they owe \$260.87 more than Claimant is claiming. The difference is in the wash of the remaining contracted canola that was bought back and resold to another elevator.

Karsky Brothers 10418 94th Street NE. Langdon, ND 58249	P245	Canola	567	\$ 8,329.23	\$ 8278.42	(16.91)	\$ 50.81	\$ 8,261.51
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Amount difference between Warehouseman and Claimant is gross cwt. versus net cwt.
Discount for canola check off

North Central Grain PO Box 8 Bisbee, ND 58317	Contract No.	Grain	Net bu/cwt/MT	Claim Filled	Warehouseman's Obligations	Discounts	Invalid Amount	Valid Claim
	P270	Canola	417,379	\$ 5,980.17				\$ 5,980.17
	P271	Canola	617	\$ 8,755.23				\$ 8,755.23
	P273	Canola	4409	\$ 59,918.31				\$ 59,918.31
	P274	Canola	3807	\$ 44,148.44				\$ 44,148.44
	P276	Canola	639	\$ 8,652.06				\$ 8,652.06
	P278	Canola	3307	\$ 47,786.15				\$ 47,786.15
	P280	Canola	3527	\$ 52,587.57				\$ 52,587.57
	P284	Canola	2205	\$ 32,325.30				\$ 32,325.30
	P282	Canola	108,954	\$ 1,615.79				\$ 1,615.79
					251473.67	(10,275.35)		\$ (10,275.35)

Discount is contract wash agreed to by Claimant and Warehouseman.

Oenabrock Farmers Coop Elevator PO Box 106 494 Yellow Brick Road Oenabrock, ND 58269	P279	Canola	1366,9715	\$ 20,297.23	\$ 20,297.23			\$ 2,297.23
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Viterra 2625 Victoria Avenue Regina, SK S4T 7T9	P96	Canola	100.96 MT	\$ 72317.35	\$ 84,614.59		\$ 7,702.76	\$ 64,614.59
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Claimant's claim that 25,949 MT. of soybeans were not paid for.
Warehouseman split scale ticket 1028 and applied 25,949 MT. to contract P30 and the balance to contract P31.
The information obtained from the Warehouseman shows payment made in full for soybeans. That is the difference in the claim and the obligation.

TOTALS				\$ 860,009.90	\$ 860,897.10	(10,916.31)	\$ 8,661.64	\$ 860,531.95
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