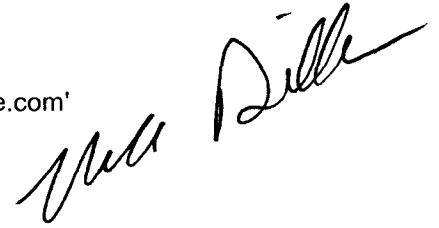


Diller, Michael R.

From: Diller, Michael R.
Sent: Tuesday, July 27, 2010 3:06 PM
To: -Grp-PSC Commissioners
Cc: -Grp-PSC Licensing; -Grp-PSC Legal; 'rachel@pdsproule.com'
Subject: FW: Consent to Proposal



Commissioners,

I have reviewed the information filed under trade secret protection including NDOM's business plan, cash projections and its credit and security agreement. I have talked extensively with Rachel Hellyer, CPA and Treasurer of the NDOM to get an understanding of the business and its own history. Rachel has a good understanding of the business and was very helpful in addressing all my questions and concerns. We both came to the same conclusion that a cash basis operation in the initial stages of business was in the interest of the producers as well as NDOM. I believe our task in to protect producers and this agreement certainly does that. Given this agreement, it is not necessary to require a bond greater than what is required by rule. Requiring a larger bond will take away funds for operating the business and result in additional charges of 1 to 1.5% per year of the bonded amount. Please see Rachel's memo below confirming our understanding.

I recommend that the commission issue a license to NDOM without further ado. I suggest that the Grain Elevator division request my assistance and review during the next licensing renewal process to check on the success of NDOM. I will be available at tomorrow's admin for questions. Mike

Background Information:

Sodrugestvo is a Russian company that owns Sodrugestvo B.V., a Netherlands company, which owns 26% of NDOM. The subsidiary in the Netherlands was created because of the favorable Dutch business environment. Sodrugestvo brings both experience and funding for the oil seed crushing

business. NDOM has already received \$165,000 in funds as provided for in the Credit and Security Agreement and are in position to start-up the business and make further draw-downs on the \$3 million loan provided by Sodrugestvo. The remaining 74% is owned by Northwood Mills which is comprised of 41 producers/investors. The mill will create 24 or 25 full-time positions in Northwood, ND and any profits made will first be used to pay back producers (mostly other elevators in Canada and the US) who lost over \$800,000 when Northwood Mills ceased producing oil. The 3 governors sitting on the NDOM board receive no compensation at this time and the projected salaries of management are quite reasonable.

Northwood Mills ceased operations due to a large un-hedged position with a broker selling to a biodiesel firm in MN. The biodiesel firm refused to take its contracted oil and the oil market went from 40 cents to 30 cents which essentially consumed all of Northwood Mills' operating cash. The new entity of NDOM will not take long positions in the market and will essentially hedge everything it takes and produces to lock in margins as soon as possible thereby avoiding market instability. While NDOM is waiting to get started, it is already planning to increase the plant capacity by 6 times which is more in line with the operating capacity of other plants in the region. The upside of Northwood Mills is quite significant to the producers and the community of Northwood. The downside is covered to a great degree by this agreement.

-----Original Message-----

From: Rachel Hellyer [mailto:rachel@pdsproule.com]

Sent: Tuesday, July 27, 2010 1:33 PM

To: Diller, Michael R.

Cc: Paul Sproule; Geoffrey Bengtson; Clarence G Leschied

Subject: Consent to Proposal

Mr. Diller,

Thank you for the time you have spent on the information we submitted to the PSC and for taking time to understand our business. We appreciate that you understand & recognize that time is of the essence in getting operational and that resuming operations will be a good thing for the state, community, and people who will be employed by ND Oilseed Mills LLC (NDOM).

During our discussions on the phone yesterday afternoon and again this morning, the suggestion was made to allow NDOM to operate under a standard bond as long as certain terms are agreed to. This "agreement" would require NDOM not to utilize terms from any growers or elevators (cash on delivery or prepayment only), for at least the first year and possibly until all Northwood Mills LLLP canola creditors are repaid.

I have consulted with the other members of management of NDOM and that group feels that this agreement can be accepted. We look forward to the opportunity you & the Commission have provided for NDOM to become operational sooner!

Best Regards,
Rachel

Rachel Hellyer, CPA
Treasurer for
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(701) 780-9616 (p)
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