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This is a service filing for Case No. 18-2015-CV-00240, Public Service Commission, et al. vs. Grand Forks Bean Company, Inc..

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STATE OF NORTH DAKOTA

IN DISTRICT COURT

COUNTY OF GRAND FORKS

Public Service Commission, :

Petitioner, :

-vs- :

Grand Forks Bean Company, Inc., :

Auto-Owners Insurance Company, :

Respondents. :

Case No.
18-2015-CV-00240

TRANSCRIPT OF
DEPOSITION OF TIMOTHY ERDMANN

Taken At
122 East Broadway Avenue
Bismarck, North Dakota
January 14, 2016

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DEPOSITION EXHIBITS:

<u>No.</u>	<u>Description</u>	<u>Marked</u>
11	11 August 2005 Memorandum with Attached Grain Warehouse and Grain Buyer Examination & Safety Manual.....	11
12	12 Elevator Inspections Report and Memorandum of Adjustment, February 26, 2014.....	24
13	13 Price Later Marketing Agreement Between Grand Forks Bean and Ron Adams.....	30
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C O N T E N T S (Cont'd)

DEPOSITION EXHIBITS:

<u>No.</u>	<u>Description</u>	<u>Marked</u>
17	Price Later Marketing Agreement Between Grand Forks Bean and Chuck Nelson.....	32
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1 (Pursuant to Notice to Take Deposition of
2 **TIMOTHY ERDMANN** in the above-entitled cause, the
3 following examination came on for taking before
4 Stephanie A. Smith, a Registered Professional
5 Reporter and a Notary Public in and for the State
6 of North Dakota, at the offices of Smith Bakke
7 Porsborg Schweigert & Armstrong, 122 East Broadway
8 Avenue, in the City of Bismarck, County of
9 Burleigh, State of North Dakota, on the 14th day of
10 January, 2015, commencing at 12:33 p.m., counsel
11 appearing on behalf of the respective parties as
12 hereinbefore indicated:)

13 -----

14 (The following proceedings were had and
15 made of record:)

16 MR. SCHROEDER: We'll go on the record.
17 This is the date and time that has been noticed for
18 the deposition of Tim Erdmann. So I'll go ahead
19 have you state your name.

20 THE REPORTER: Let me swear him in.

21 MR. SCHROEDER: Oh, yes.

22 **TIMOTHY ERDMANN,**
23 being first duly sworn, was examined and testified
24 as follows:

25

EXAMINATION

1

2

BY MR. SCHROEDER:

3

Q. Can you state your full name for the
4 record.

5

A. Timothy A. Erdmann.

6

Q. All right. And have you ever given a
7 deposition before?

8

A. No.

9

Q. Okay. And Mitch may have gone over this
10 with you, but I'll go over it with you as well. So
11 I'll be asking a series of questions of you, and
12 please, as a courtesy to our court reporter, wait
13 until I'm done asking the question before you give
14 your answer and I will wait until you're done
15 answering before I ask my next question.

16

If there is a question that you don't
17 understand, just tell me that and I will rephrase
18 the question. If you answer the question, I'm
19 going to assume that you understood what I was
20 asking.

21

Okay. If the answer to the question calls
22 for a yes or no, please say yes or no. Don't nod
23 your head or say mm-hmm. It makes for a cleaner
24 record.

25

And then if you need to take a break at

1 any time, just let us know and we can -- we can
2 take a break.

3 Okay. Are you currently employed,
4 Mr. Erdmann?

5 A. I retired as of December 31 from the
6 Public Service Commission.

7 Q. Okay. So you're not working currently?

8 A. No.

9 Q. Okay. And you had been working for the
10 Public Service Commission prior to December 31,
11 2015; right?

12 A. Yes.

13 Q. Okay. How long had you worked at the
14 Public Service Commission?

15 A. I started October 1, 1997, so 18-plus
16 years.

17 Q. Okay. And when you started at the
18 Commission, what -- what role did you have? What
19 was your job?

20 A. Grain warehouse inspector, the same.

21 Q. Okay. And what are the duties that a
22 grain warehouse inspector at the Public Service
23 Commission has?

24 A. Well, you -- you inspect the facilities
25 and conduct various procedures, including the

1 measure-up of the inventory, review the records,
2 look for compliance with the laws, spot checks,
3 scale -- you know, pull a spot-check on scale
4 tickets and assembly sheets, et cetera, and track
5 them, follow them through to payments. Basically
6 look for compliance with the laws and normal grain
7 warehouse operating procedures.

8 Q. And have those basically been the duties
9 of the inspector job your whole time that you've
10 been there?

11 A. Yes. I guess plus I should add, you know,
12 involvement in insolvencies, when insolvencies --
13 whatever's required to complete that process, so --

14 Q. You talked about ensuring compliance with
15 the laws. What did you mean by that?

16 A. Well, you know, the scale tickets have to
17 be converted to warehouse receipts, credit-sale
18 contracts, payments, something like that, within
19 45 days. That's one of the key items. And check
20 their capacity because the amount of bond was based
21 on the capacity of the facility, those types of
22 things.

23 Q. So would it be fair to say you're --
24 you're the voice for the Commission telling the
25 licensees whether their records are in compliance

1 or out of compliance?

2 A. I'm one of the processes, yes.

3 Q. Who would be the other processes involved?

4 A. The licensing at the office, Sue Richter
5 and her office assistants. You know, there's
6 procedures to go through to get a license and renew
7 a license and submission of documents and that sort
8 of thing, so --

9 Q. Okay.

10 A. -- it was a joint effort.

11 Q. I guess the first thing I would do is --
12 did you bring some documents with you today?

13 A. Well, I did, yes.

14 Q. Okay.

15 A. Do you want these or -- I mean they're
16 just copies of what was already provided, so --

17 Q. Okay. So that's -- these are copies of
18 documents that have already been provided to me; is
19 that your understanding?

20 A. Yes.

21 Q. Okay. And there aren't any documents in
22 here that have not been provided?

23 A. No.

24 Q. And by "provided," I mean in your -- the
25 Commission's request for production of documents,

1 that's your understanding?

2 A. Right. Or I guess my affidavit there
3 would be part of the report and recommendation.

4 Q. Okay. So these were all documents you've
5 already given to Mitch, I would assume; is that
6 right?

7 A. Yes. Or my supervisor would have probably
8 duplicated some of that, too, so --

9 Q. Okay.

10 (Deposition Exhibit 11 was marked for
11 identification.)

12 Q. (MR. SCHROEDER CONTINUING) I'm showing
13 you what's been marked Deposition Exhibit 11, which
14 is -- are documents that were provided to me in
15 response to Bremer Bank's request for production of
16 documents to the Public Service Commission.
17 They're Bates number 2203 through 2239. Do you
18 recognize what -- what this document is?

19 A. Yes. Examination & Safety Manual.

20 Q. And is that something that you would use
21 in your job as a grain inspector for the Public
22 Service Commission -- grain warehouse inspector?

23 A. Yes. This would be the guideline for
24 conducting warehouse inspections.

25 Q. Is that something you're familiar with?

1 A. Yes, I'm familiar with it.

2 Q. Okay. And so how would you use this in
3 your job as the grain warehouse inspector?

4 A. Well, this is the basic guideline for
5 conducting an inspection and the safety -- you
6 know, safety suggestions you should use when
7 conducting an inspection.

8 Q. Well, can you take me through a typical
9 grain warehouse inspection. So what's the first
10 thing you do?

11 A. Well, you arrive on the site and introduce
12 yourself and -- you know, introduce yourself to
13 the -- meet the manager and tell him that you're
14 here to do an inspection. And depending on the
15 circumstances, normally the first thing we'd want
16 to do is do a measure-up, measure the inventory.
17 So we'd get with the manager to see if that was
18 agreeable. You know, typically that would be the
19 first step, but if things were such that it's not a
20 good time to do an actual measure-up, we'd probably
21 get into the records first or that sort of thing.

22 Q. So a measure-up, what is that?

23 A. That's where you actually go -- what
24 you're basically doing is measuring an air space of
25 a typical grain bin or typical elevator or flat

1 storage while you're trying to determine the depth
2 of the grain. It's basically a mathematical
3 estimation of the inventory to compare with their
4 records, their inventory, to see if they have the
5 inventory that their records state they have.

6 And you probably have some -- some -- a
7 limited ability to determine quality, depending on
8 the facility and the bin setup and stuff, but --

9 Q. Okay. So it's an estimation?

10 A. Yeah. It's --

11 Q. You don't actually measure?

12 A. It's a mathematical estimation based on --
13 like a typical wood house elevator, why, you drop
14 the tape into a bin, you look if it's full enough
15 where you can see the lay of the grain, you
16 determine the air space of the unfilled portion,
17 and we had the computer program with all of that
18 dimensions and all of that information into it,
19 so -- so all you basically would be doing is
20 measuring air space, putting in what type of grain
21 it was and some quality factors such as test weight
22 or dockage, which typically is provided by the
23 elevator manager or their driveway people or
24 whoever is knowledgeable with the facility and the
25 grain that's in it.

1 Q. Okay. So after you estimate how much
2 grain is in the warehouse, what would you do next?

3 A. You'd get a daily position record or some
4 sort of inventory record from the elevator staff to
5 compare inventory versus measured inventory and go
6 from there. If there's something that jumped out
7 as being short or something, you could consult with
8 the staff and see if something is done wrong by --
9 by myself measuring, or if there was some grain
10 that had been shipped that hadn't been taken out
11 of -- you know, various differences can cause
12 differences in measured versus book inventory.

13 Q. Okay. What would you do after you look at
14 the book inventory to the measured inventory?

15 A. Well, in a typical operation they have
16 what's called a daily position record, which not
17 only shows their inventory, but it shows storage
18 obligations, credit sale, you know, the various
19 categories. So you'd ask for their records to
20 prove they coincide with those obligations that are
21 inventoried -- or indicated on the daily position
22 record and record those and investigate those to
23 see that -- that the DPR is reflecting the actual,
24 you know, category, whether it was open storage or
25 warehouse receipts or price later contracts or

1 whatever, you know. It can be quite a detailed
2 list in a big grain facility.

3 Q. So describe for me what you mean by
4 records. What would you be -- the physical
5 documents you'd be looking for?

6 A. Well, let's take the category open
7 storage, for example. Typically most facilities
8 nowadays have, you know, computer programs and they
9 could print a report that lists all the producers
10 and the delivery dates and the quantity that would,
11 you know, total up the -- equal the total amount on
12 the daily position records.

13 Q. And what's a -- what do you mean by open
14 storage?

15 A. Open storage would be grain delivered by a
16 producer, it's been there 45 days or less and it
17 hasn't been converted to the various categories,
18 warehouse receipt or credit-sale contract or paid
19 or whatever. Typically, it would be in a list on
20 open storage, but it would also have a sublist of
21 what category it's going to be eventually converted
22 to.

23 Q. Okay. So what type of documents are you
24 looking at when you go to look for open storage?

25 A. You're looking in a computer-generated

1 system, you're relying on them to -- that computer
2 system to give you a detailed report of those in
3 that category. Like I said, it would include the
4 delivery date or the delivery-date average, if it
5 was -- you know, it's not going to be scale ticket
6 by scale ticket. Most of the time it's going to be
7 Farmer Jones, and if he delivered ten loads and
8 they haven't been -- or they're still on open
9 storage, haven't been converted, you know, it will
10 be a total for those ten loads.

11 Q. Okay. And if there's not a computer
12 system, what would you go look for?

13 A. Well, a lot of places, some still do it by
14 paper, you know, you bring out the accordion
15 folder, A, B, C, D, and these are my open storage
16 and you'd look at them. They'd be on a -- they
17 could be a group of scale tickets or they could be
18 assembled on a group of scale tickets with --
19 assembled onto a paper assembly sheet. Some places
20 have Excel spreadsheets if they haven't paid the
21 price for the -- for the big computer, you know,
22 accounting system.

23 Q. Okay. All right. Then you talked about
24 you look on the daily report compared with price
25 later agreements; is that right?

1 A. Well, yeah, that would be a category.
2 You'd ask for a price later -- typically on a
3 computer system, the price later contract report.

4 Q. And what would you do then? What records
5 would you be looking for for that category?

6 A. Then you'd actually ask for the written
7 contracts that coincide with that report because
8 typically that report would have the list of the
9 producers and it would have the contract numbers
10 and the -- the bushels or quantity of grain, type
11 of grain and then you'd ask for the actual
12 contracts to coincide with that report.

13 Q. Okay. And you'd ask for each contract?

14 A. Each contract, yes. Each one that's been
15 on that report as being unpaid.

16 Q. Okay. And then if their -- the producer
17 wasn't able to give you a written contract to look
18 at, what would happen?

19 A. Well, you're -- you mean the elevator
20 staff or --

21 Q. Right.

22 A. Yeah. Okay. You'd -- well, that would be
23 one of the items that would be -- if they can't
24 come up with an actual contract, that's where they
25 actually say they've converted it but they have no

1 proof, so that would be a deficiency that would be
2 noted and probably written up on the memorandum of
3 adjustment at the end of the inspection.

4 Q. Okay. And then for warehouse receipts,
5 can you walk me through what you would do regarding
6 those?

7 A. Well, okay. They've been converted to a
8 warehouse receipt. You'd say, Okay, let's have the
9 report for the warehouse receipts and let's get the
10 actual receipts and look at them to see if they've
11 been made out and, you know, if the -- the
12 record -- the written record coincides with the
13 computer-generated report. You do the same for
14 every category like that, so -- whatever category
15 of the accounting you're questioning.

16 Q. So after you've done the -- the records
17 review, let's say there's a discrepancy in the
18 records, what would you -- what would be the next
19 step you would take immediately?

20 A. Well, if you completed your records
21 reviews and you made your notes on what -- what is
22 not -- you know, what is deficient -- before you'd
23 probably write it up, I normally go and talk to the
24 manager -- or in most cases you're talking to the
25 accounting people, not so much the manager. It's

1 like, Well, here's what the problems are. Do you
2 have any -- any documents that got misplaced, or
3 give them a chance to, you know, clarify the
4 situation as much as they can before you proceed
5 with the memorandum. And once you're completely
6 satisfied and they agree, yeah, these are the
7 deficiencies, then it would be written up on the
8 memorandum and it would be -- whatever would be
9 required to correct it, if it's unsigned contracts
10 or failure to convert scale tickets, whatever
11 categories they are would be on that memorandum,
12 and they would have 30 days to correct those --
13 those deficiencies and submit proof, whatever was
14 requested of them to submit to the PSC, to the
15 licensing office.

16 Q. Okay. So after the -- you review all the
17 warehouse's records, what would be the next step in
18 the inspection?

19 A. Well, like I said, consult with the
20 accounting staff, give them a chance to correct
21 what they can immediately, and then beyond that
22 would be -- you'd write the memorandum of
23 adjustment and you'd sit down with usually the
24 accounting person and the manager and go through it
25 and, you know, talk about it. And basically they

1 usually, you know, at that point agree that these
2 are the deficiencies that we have to correct, so --
3 and then they would sign off -- the manager would
4 sign off on it, sign the memorandum.

5 Q. Okay. And if there were no discrepancies
6 or there was no compliance deficiencies in your
7 records review, what would be the next step?

8 A. That would -- that would be stated right
9 on the memorandum, no -- no deficiencies noted or
10 whatever, you know, something to that effect. And,
11 you know, the manager would sign off on the -- I
12 would sign the memorandum, the manager would sign
13 it and it would again be submitted to the licensing
14 division office.

15 Q. So after that -- that step of the
16 generating that memorandum of adjustment, that's
17 basically the end of the inspection; is that right?

18 A. Yes. That's correct. Unless -- you know,
19 unless there's a list of deficiencies, that would
20 be up to the manager and the staff to -- to do
21 those corrections and submit that -- typically that
22 information is submitted to the licensing division
23 office.

24 Q. And that process you just described of
25 conducting a grain warehouse inspection, is that

1 consistent with what is in the -- the Public
2 Service Commission's Grain Warehouse Examination &
3 Safety Manual?

4 A. Yes.

5 Q. I'll have you turn to page -- it's Bates
6 stamped 2228 in Exhibit 11.

7 A. 2218?

8 Q. 2228.

9 A. Oh, 28. Credit-sale contract examination
10 procedure.

11 Q. Are you familiar with this page in the
12 examination manual?

13 A. Yes, I am.

14 Q. Okay. And would this be the -- the
15 process you use when conducting records review of
16 credit-sale contracts at a grain warehouse?

17 A. Yes.

18 Q. And so if there was an issue with any of
19 the steps you go through in reviewing those
20 credit-sale contracts, you would note that on the
21 memorandum of adjustment or discuss that with the
22 warehouse staff?

23 A. Yes.

24 Q. Can you read the first step for me.

25 A. "Examine contracts to verify that each

1 type of contract used by the licensee contains or
2 provides for all items identified in North Dakota
3 Century Code 60-02-19.1 and 60-02.1-14 and each of
4 these items has been completed when the contract
5 was executed."

6 Q. So in reviewing a warehouse's credit-sale
7 contracts, if all of those items were not contained
8 in the contract, you would have talked to the
9 elevator about that; is that right?

10 A. Yes.

11 Q. And they would have either fixed that
12 issue or it would have been noted on a memorandum
13 of adjustment; is that right?

14 A. Yes.

15 Q. Okay. I'll have you just read silently
16 for a minute the rest of those steps, but let me
17 know when you're done by just looking up.

18 A. Read the whole thing? Okay. (Witness
19 complies.) Okay.

20 Q. And you've had a chance to read all the
21 steps on the credit-sale contract examination
22 procedure, Bates number 2228; is that right?

23 A. Yes.

24 Q. And are those the steps that you would use
25 in examining the credit-sale contracts at a

1 warehouse?

2 A. Yes.

3 Q. All right. Do you recall conducting
4 inspections at the Grand Forks Bean Company
5 facility in Grand Forks?

6 A. Yes.

7 Q. Okay. And you generated records of those
8 inspections; is that right?

9 A. Yes.

10 Q. Okay. Were there any inspections you
11 completed that there wouldn't have been records
12 generated for?

13 A. Well, there was two -- two partial
14 inspections where I did the measure-up, but I did
15 not complete the records check with the manager
16 because -- well, various -- from medical issues to
17 appointments with insurance people, those just
18 never got completed. Typically -- well, I guess
19 whatever.

20 Q. Do you recall conducting an inspection of
21 the Grand Forks Bean Company warehouse on
22 February 26 of 2014?

23 A. Yes.

24 Q. Okay. The typical inspection procedure --
25 do you recall anything different occurring at that

1 inspection you conducted of the Grand Forks Bean
2 Company warehouse on February 26, 2014?

3 A. No.

4 Q. Okay. There was nothing out of the
5 ordinary with that inspection?

6 A. No.

7 Q. Okay.

8 (Deposition Exhibit 12 was marked for
9 identification.)

10 Q. (MR. SCHROEDER CONTINUING) All right.
11 I'm showing you what's been marked as Deposition
12 Exhibit 12, which is Bates stamped 2043 and 2044.
13 Do you recognize what -- what those documents are?

14 A. Yes.

15 Q. And what are those?

16 A. Well, the first, 2043, would have been
17 a -- this is generated by my supervisor at the
18 office and it would be from the grain inspection
19 program. And the second page is the memorandum of
20 adjustment that I issued to Grand Forks Bean on
21 February 26.

22 Q. I'll have you look at the second page of
23 that exhibit, the 2044. Do you see at the top
24 where it says, "No book adjustments required"?

25 A. Yeah. That's a standard statement that

1 comes out with the -- on the template of the
2 memorandum of adjustment.

3 Q. Okay. What does that mean, no book
4 adjustments required?

5 A. That relates to the inventory. If there
6 was a shortage on the inventory and, you know,
7 after consulting with the staff and management,
8 they agree that, yeah, that's not correct, it needs
9 to be adjusted down or -- very seldom that you'd
10 see an adjustment up. But basically that's just a
11 standard statement, then, that's built into the
12 template.

13 Q. Okay. And then do you see the -- where it
14 says, "The exam and spot-check procedure revealed
15 no conditions or errors"?

16 A. Yes.

17 Q. Okay. And what does that statement mean?

18 A. That means I didn't find any deficiencies,
19 conditions or errors to note on the memorandum of
20 adjustment.

21 Q. Okay. So that inspection on February 26,
22 2014, didn't reveal Grand Forks Bean Company as
23 being out of compliance with -- with any of the
24 statutes or regulations that you're enforcing when
25 you do your inspection?

1 A. Yes. That's correct.

2 Q. So on February 26, 2014, did you conduct a
3 full review of the credit-sale contracts at Grand
4 Forks Bean Company?

5 A. Yes, I did.

6 Q. Okay. And did you review them in
7 accordance with the provisions of the Public
8 Service Commission's grain warehouse and grain
9 buyer examination and safety manual?

10 A. I would say yes, I did.

11 Q. Okay. And so because there were no issues
12 noted, it would have been your representation to
13 the Grand Forks Bean Company, Incorporated, that
14 their price later marketing agreements were proper
15 credit-sale contracts; is that true?

16 A. We're back on --

17 MR. GAUSTAD: I'm going to object. You're
18 asking him to make a legal conclusion.

19 THE REPORTER: Who was that?

20 MR. SCHROEDER: I asked him what his
21 representation was.

22 MR. GAUSTAD: And my objection is that
23 you're asking him to make a legal conclusion. And
24 this is Dan Gaustad. Thank you.

25 Q. (MR. SCHROEDER CONTINUING) So can you

1 answer the question?

2 MR. ARMSTRONG: I think he was asking for
3 some clarification on the question, but I wasn't
4 sure what he was saying. You can answer the
5 question, I mean, to the extent you understand it.

6 THE WITNESS: Okay. Will you repeat the
7 question?

8 MR. SCHROEDER: Sure. Is it possible to
9 read back the question?

10 (Record read as requested.)

11 THE WITNESS: On February 26, 2014, yes.

12 Q. (MR. SCHROEDER CONTINUING) And on
13 February 26, 2014, you were at Grand Forks Bean
14 Company, Incorporated, as the -- the representative
15 of the Public Service Commission; is that right?

16 A. Yes.

17 Q. And so your communications on that date
18 with Grand Forks Bean Company, Incorporated, would
19 have been on behalf of the Public Service
20 Commission?

21 A. Yes.

22 MR. SCHROEDER: Okay. Can we take just a
23 five-minute break? Let's go off the record.

24 (Recessed at 1:07 p.m. and reconvened at
25 1:12 p.m.)

1 Q. (MR. SCHROEDER CONTINUING) All right.
2 We'll go back on the record. A couple preliminary
3 questions I forgot. Can I get your address,
4 Mr. Erdmann?

5 A. 207 First Street, Denhoff, North Dakota,
6 D-e-n-h-o-f-f. 58430 would be the ZIP code.

7 Q. And you're here today at the -- because
8 the Public Service Commission asked you to be here
9 today; is that true?

10 A. Well, I guess I'm here because it's the
11 right thing to do.

12 Q. Okay. And the testimony you're giving, is
13 that on behalf of the Public Service Commission?

14 A. Well, I --

15 MR. ARMSTRONG: Well, counsel, I'm not
16 sure he would necessarily know the legal definition
17 of that. I mean he worked for the Public Service
18 Commission in his capacity as a grain warehouse
19 inspector. He's a representative of the
20 Commission, retired effective December 31, 2015. I
21 mean I don't -- I don't understand the question and
22 I don't think the witness can possibly understand
23 the question. The witness can't speak on behalf of
24 the Public Service Commission. He can speak in his
25 capacity as a grain warehouse inspector for the

1 Public Service Commission.

2 Q. (MR. SCHROEDER CONTINUING) Can you answer
3 the question?

4 A. Do you want to repeat the question,
5 please?

6 MR. SCHROEDER: Yeah. Can we have it read
7 back.

8 (Record read as requested.)

9 MR. ARMSTRONG: If you know.

10 THE WITNESS: It would be my -- my
11 interpretation as a grain warehouse inspector or my
12 representation as a grain warehouse inspector.

13 Q. (MR. SCHROEDER CONTINUING) Is the Public
14 Service Commission paying you anything for being
15 here today?

16 A. I am being paid through -- through
17 contract with -- with the law firm.

18 Q. So Mr. Armstrong's firm is paying you some
19 expenses or a fee to be here today?

20 A. They're paying me expenses and a fee.

21 Q. Okay.

22 A. An hourly fee.

23 Q. But you don't know the arrangement that
24 Mr. Armstrong's office might have with the
25 Commission for the ultimate payment of that fee and

1 expenses, do you?

2 A. No, I don't.

3 Q. Okay.

4 (Deposition Exhibit 13 was marked for
5 identification.)

6 Q. (MR. SCHROEDER CONTINUING) Showing you
7 what's been marked as Deposition Exhibit 13, do you
8 recognize that document?

9 A. Yes, I do.

10 Q. Okay. And what is it?

11 A. It's a price later marketing agreement
12 issued by Grand Forks Bean to Ron Adams of
13 Reynolds, North Dakota, for 6232.33 hundredweight
14 of pinto beans.

15 Q. Okay. And was that one of the price later
16 marketing agreements you reviewed on your
17 inspection on February 26 of 2014?

18 A. Yes.

19 MR. GAUSTAD: Do you have a Bates number
20 for that? This is Dan Gaustad.

21 MR. SCHROEDER: And there is no Bates
22 number for that document.

23 MR. GAUSTAD: Okay. Thank you.

24 MR. ARMSTRONG: Dan, if it helps, there's
25 an 1101 written in the top right-hand corner.

1 MR. GAUSTAD: It does. Thank you very
2 much.

3 (Deposition Exhibit 14 was marked for
4 identification.)

5 Q. (MR. SCHROEDER CONTINUING) I'm showing
6 you what's been marked as Deposition Exhibit 14.
7 Do you recognize that document?

8 A. Yes, I do.

9 Q. And what is that?

10 A. That would be a price later marketing
11 agreement issued by Grand Forks Bean Company to
12 Nick Adams, and the contract number would be 1102
13 written in the right -- upper right-hand corner.

14 Q. And did you review that price later
15 marketing agreement for Nick Adams at your
16 inspection on February 26, 2014?

17 A. Yes, I did.

18 (Deposition Exhibit 15 was marked for
19 identification.)

20 Q. (MR. SCHROEDER CONTINUING) Showing you
21 what's been marked as Deposition Exhibit 15, do you
22 recognize that document?

23 A. Yes, I do.

24 Q. And what is it?

25 A. That's another price later marketing

1 agreement issued by Grand Forks Bean to Ron Adams,
2 and that would be contract number 1103 in the upper
3 right-hand corner.

4 Q. And did you review that price later
5 marketing agreement with Ron Adams at your
6 inspection on February 26, 2014?

7 A. Yes, I did.

8 (Deposition Exhibit 16 was marked for
9 identification.)

10 Q. (MR. SCHROEDER CONTINUING) Showing you
11 what's been marked as Deposition Exhibit 16, can
12 you identify that document?

13 A. Yes. Price later marketing agreement
14 issued by Grand Forks Bean to Curt Amundson, and
15 that would be contract number 1104.

16 Q. And was that price later marketing
17 agreement, 1104, to Curt Amundson reviewed by you
18 at your inspection on February 26, 2014?

19 A. Yes, it was.

20 (Deposition Exhibit 17 was marked for
21 identification.)

22 Q. (MR. SCHROEDER CONTINUING) Showing you
23 what's been marked as Deposition Exhibit No. 17, do
24 you recognize that document?

25 A. Yes, I do.

1 Q. And what is it?

2 A. Price later marketing agreement contract
3 number 1106 issued by Grand Forks Bean Company to
4 Chuck Nelson, Thompson, North Dakota.

5 Q. And was that price later marketing
6 agreement 1106 issued to Chuck Nelson reviewed by
7 you at your inspection of Grand Forks Bean Company
8 on February 26, 2014?

9 A. Yes, it was.

10 (Deposition Exhibit 18 was marked for
11 identification.)

12 Q. (MR. SCHROEDER CONTINUING) Showing you
13 what's been marked as Deposition Exhibit 18, do you
14 recognize that document?

15 A. Yes, I do.

16 Q. And what is that?

17 A. Price later marketing agreement 1108
18 issued by Grand Forks Bean Company to Baldwin
19 Farms/Brent Baldwin.

20 Q. And was that price later marketing
21 agreement 1108 issued by Grand Forks Bean --
22 between Grand Forks Bean Company and Baldwin Farms,
23 Incorporated, and Brent Baldwin reviewed by you on
24 your inspection on February 26, 2014?

25 A. Yes, it was.

1 (Deposition Exhibit 19 was marked for
2 identification.)

3 Q. (MR. SCHROEDER CONTINUING) Showing you
4 what's been marked as Deposition Exhibit 19, do you
5 recognize that document?

6 A. Yes, I do.

7 Q. And what is it?

8 A. Price later marketing agreement number
9 1109 issued by Grand Forks Bean Company, Inc., to
10 Brad Nelson.

11 Q. And was price later marketing agreement
12 1109 between Grand Forks Bean Company and Brad
13 Nelson reviewed by you at your inspection on
14 February 26, 2014?

15 A. Yes, it was.

16 (Deposition Exhibit 20 was marked for
17 identification.)

18 Q. (MR. SCHROEDER CONTINUING) I'm showing
19 you what's been marked as Deposition Exhibit 20.
20 Do you recognize that document?

21 A. Yes, I do.

22 Q. And what is it?

23 A. Price later marketing agreement number
24 1111 issued by Grand Forks Bean Company, Inc., to
25 Duane Altendorf of St. Thomas, North Dakota.

1 Q. And that price later marketing agreement
2 1111, was that reviewed by you at your inspection
3 of Grand Forks Bean Company on February 26, 2014?

4 A. Yes, it was.

5 Q. In reviewing those Exhibits 13 through 20
6 on that February 26, 2014, inspection, did you
7 follow the procedures outlined in the grain
8 warehouse manual?

9 A. Yes, I believe I did.

10 Q. Okay. And those would have been the --
11 that manual would be Exhibit 11; is that right?

12 A. That's correct, Exhibit 11.

13 Q. Who did you meet with on the February 26,
14 2014, inspection?

15 A. That would have been the manager, Mr. Todd
16 McGurk.

17 Q. Okay. Is there anything specific you
18 remember discussing with Todd on February 26, 2014?

19 A. No.

20 Q. In conducting your inspections, do you
21 also review if the grain warehouses have certain
22 notices posted at the warehouse?

23 A. Yes, I do.

24 Q. Okay. And is that something you would
25 have done at Grand Forks Bean Company as well?

1 A. Yes.

2 Q. Do you recall specifically any issues with
3 notices not being posted at Grand Forks Bean?

4 A. No, I don't.

5 Q. Okay.

6 (Deposition Exhibit 21 was marked for
7 identification.)

8 Q. (MR. SCHROEDER CONTINUING) I'm showing
9 you what's been marked as Deposition Exhibit 21.
10 Do you recognize that document?

11 A. Yes. This is a standard poster posted in
12 every licensed warehouse regarding the credit-sale
13 contracts.

14 Q. Do you recall that specific notice being
15 posted at Grand Forks Bean Company?

16 A. Yes, I do.

17 Q. And was that -- do you recall that being
18 posted on February 26, 2014?

19 A. Yes. That was -- that was posted.

20 Q. Okay. Do you recall that being posted at
21 any inspections before February 26, 2014?

22 A. I can't specifically recall that it was
23 ever missing. I mean it's pretty much a standard
24 poster you see -- I would see every day.

25 (Deposition Exhibit 22 was marked for

1 identification.)

2 Q. (MR. SCHROEDER CONTINUING) Showing you
3 what's been marked as Deposition Exhibit 22, do you
4 recognize those documents?

5 A. Yes, I do.

6 Q. And what are those documents?

7 A. Well, the -- the one on the right would be
8 the Grand Forks Bean storage handling and delivery
9 policy, which is required that it be on file at the
10 office and be posted at the -- at the facility.

11 Q. Okay. And viewing Exhibit 22, do you
12 recall seeing those notices posted at Grand Forks
13 Bean Company?

14 A. Yes, I do.

15 Q. And do you recall seeing these posted on
16 February 26, 2014?

17 A. Yes, I do.

18 Q. Okay. Do you recall those being posted at
19 any inspections prior to February 26, 2014?

20 A. I can't specifically say that they were
21 not -- were or not, especially this one on the left
22 side here. If that was posted before or not, I
23 don't know. I don't remember.

24 Q. Okay.

25 (Deposition Exhibit 23 was marked for

1 identification.)

2 Q. (MR. SCHROEDER CONTINUING) I'm showing
3 you what's been marked as Deposition Exhibit 23,
4 which are Bates numbers 2047 and 2048. I'll have
5 you take a look at them. Do you recognize those
6 documents?

7 A. Yes, I do.

8 Q. Okay. And what are they?

9 A. Well, the first page, 2047, would be --
10 that's generated from the grain inspection program
11 at the PSC licensing office. And the second page
12 is the memorandum of adjustment issued by me to
13 Grand Forks Bean on August 18, 2009.

14 Q. And do you recall conducting an inspection
15 on August 18, 2009?

16 A. Yes, I do.

17 Q. Okay. I'm looking at the second page of
18 that Exhibit 23. Do you see where it says, "No
19 conditions observed at this time"?

20 A. Yes.

21 Q. What does that mean?

22 A. No deficiencies or -- or errors were found
23 at the inspection or required to be noted on the
24 memorandum of adjustment.

25 Q. Okay. So there were no conditions that

1 were out of compliance --

2 A. Correct.

3 Q. -- at that inspection?

4 Do you recall, did you do a records review
5 at that August 18, 2009, inspection?

6 A. Well, I don't specifically recall, but I
7 did review the information, you know, that I have
8 on file in my electronic data for the computer, and
9 in reviewing it at that time there was no credit
10 sales. There was grain on storage, but it was all
11 on warehouse receipts, pinto beans.

12 Q. Okay.

13 (Deposition Exhibit 24 was marked for
14 identification.)

15 Q. (MR. SCHROEDER CONTINUING) I'm showing
16 you what's been marked as Deposition Exhibit 24.
17 Can you identify that document?

18 A. It's a price later marketing agreement
19 number 1001 issued by Grand Forks Bean Company to
20 Chuck Nelson/Nelson Farms. I guess would you want
21 to note that it was issued on March 1, 2009?

22 Q. Okay. That's the date down on the bottom
23 there that you're reading, March 1, 2009?

24 A. Yeah. About two-thirds of the way down
25 the page, I guess.

1 Q. Okay. Do you see a stamp on the
2 right-hand side of the agreement?

3 A. You're referring to the canceled?

4 Q. Yes. What is that marking there?

5 A. Well, I -- I would assume that when
6 Mr. McGurk paid off this -- paid Mr. Nelson for
7 these pinto beans, that it was stamped as canceled.
8 Oh, wait a minute. That's -- canceled -- that was
9 canceled by me, the Public Service Commission.

10 Q. Okay. So are you familiar with a stamp
11 that would be canceled --

12 A. Yes.

13 Q. -- NDPSC?

14 A. Yes. We had a stamp along then.

15 Q. Okay. And so that was something you
16 would -- you would use in conducting inspections at
17 warehouses; is that true?

18 A. Yes.

19 Q. Okay. And what would be the purpose of
20 using it?

21 A. Well, the main purpose was for warehouse
22 receipts, but on occasion I would use it to -- to
23 mark documents as being canceled, paid.

24 Q. Okay. And is there a date in the middle
25 of the stamp there?

1 A. Well, it's something 8, 2009. Is that
2 August? It could be August. Kind of hard to read,
3 but -- does that coincide with the --

4 Q. Do you recall any other times in August of
5 2009 that you would have been up at Grand Forks
6 Bean Company, Incorporated, other than the
7 inspection on August 18?

8 A. No, I don't.

9 Q. Okay.

10 (Deposition Exhibit 25 was marked for
11 identification.)

12 Q. (MR. SCHROEDER CONTINUING) I'm showing
13 you what's been marked as Deposition Exhibit 25.
14 Do you recognize that document?

15 A. Price later marketing -- oh, yes.

16 Q. What is it?

17 A. It's a price later marketing agreement
18 between Grand Forks Bean and Ken Rich Farms.

19 Q. And what's the date towards the bottom of
20 that agreement?

21 A. October 7 -- October 25, 2007.

22 Q. Okay. And is there a canceled stamp on
23 that agreement?

24 A. Yes, there is.

25 Q. Okay. Is that a stamp that would have

1 been used by you?

2 A. Yes, it is.

3 Q. Okay. And that would have been used at
4 that August 18, 2009 --

5 A. Yes.

6 Q. -- inspection?

7 Would Exhibit 24 and 25 have been part of
8 your records review?

9 A. Yes, they would. The stamp clearly
10 indicates that they were.

11 Q. Okay. And at that August 18, 2009,
12 inspection, were you following the grain warehouse
13 and grain buyer examination manual?

14 A. Yes, I was.

15 Q. Okay. And you would have noted with Grand
16 Forks Bean Company if there was an issue with these
17 price later marketing agreements at that August 18,
18 2009, inspection?

19 A. Yes, I would have.

20 Q. Okay. Can you describe for me the steps
21 you take when a grain warehouse insolvency is
22 beginning?

23 A. Well, I -- I would be doing whatever my
24 supervisor instructs me to do because that would be
25 the point of -- of receiving the documents would be

1 at the licensing division office, and from there we
2 would confer and decide where or what we're going
3 to do, you know, go -- if it's to go and measure
4 the inventory or investigate the records or both
5 or -- depending on the circumstances and the
6 location of the records and all those sorts of
7 things. So it would be a decided issue at the time
8 of the insolvency.

9 Q. Did you conduct a search of the records
10 for Grand Forks Bean anytime after November of
11 2014?

12 A. Yes, I did. I -- well, the very first
13 records were submitted by Tad McGurk, you know, the
14 manager at the time through the -- whoever was
15 doing his accounting, so they were submitted
16 electronically to the licensing division office.

17 Q. Okay. Did you physically go to the Grand
18 Forks Bean facility and retrieve any records?

19 A. I went to the Grand Forks Bean facility
20 and met with Mr. Tad McGurk, and the issue at that
21 time was the warehouse receipts and the warehouse
22 receipt book, and he didn't have any idea. So with
23 his permission and his observance, I went to the
24 other office, the desk, and we started digging
25 through the drawers and I came up with the

1 warehouse receipt book, because at that point we
2 were -- we were, you know, concerned -- in the part
3 of the records process to find that to see if there
4 was anything outstanding in that book.

5 Q. So any of the records that you were able
6 to retrieve involving Grand Forks Bean Company,
7 Incorporated, in -- after November -- November 18,
8 2014, all of those were turned over to the Public
9 Service Commission, like your supervisor?

10 A. Yeah. Well, yeah, the -- the warehouse
11 receipt book Mr. Tad McGurk had in his possession,
12 and that ended up with the box of stuff that I
13 retrieved from -- was it the bank or the law
14 office, you know, right before we moved the
15 inventory? But while I was at the Grand Forks Bean
16 prior to moving the inventory waiting for the legal
17 process to go through, I located all of the scale
18 tickets in another, you know, drawer, and those are
19 in the possession of the licensing division office
20 there at the office with the rest of the records.
21 And those scale tickets, I went through each one of
22 them and compared them to the Excel assembly sheets
23 and found no errors or no problems there, so --

24 Q. So there aren't any records that wouldn't
25 have been turned over to the Commission?

1 A. Not that I could find. I mean, yeah, most
2 of them were -- were in the possession of
3 Mr. McGurk or that chain of people or what I could
4 find at the office. I would have liked to have
5 found more, but I don't know -- they're gone --
6 where they are.

7 Q. So any records you have have been turned
8 over to --

9 A. Yes.

10 Q. Okay. For the -- do you recall any of the
11 conversations you had with Tad McGurk involving
12 Grand Forks Bean Company?

13 A. Yes, I guess. Do you have anything
14 specific or --

15 Q. Okay. Well, what do you recall discussing
16 with Tad McGurk?

17 A. Well, I -- I went and met with him
18 about -- regarding the warehouse receipt book and
19 we found it, and then there were some warehouse
20 receipts that the originals were missing from the
21 book issued to Walton Ag, another bean dealer. And
22 I says, Well, we need to find out if these are
23 obligations or if they've been paid, and he, you
24 know, dug into that. And they had been paid and
25 shipped, and Walton Ag returned the original white

1 copies of the warehouse receipts, so there was
2 no -- we could determine no obligations under
3 warehouse receipts.

4 Q. Have you ever spoken with Ron Adams?

5 A. Ron Adams? I met -- yeah, at the -- the
6 meeting with the -- oh, I'm drawing -- the bank
7 official. Well, Mr. Gronlie -- Mr. Gronlie set up
8 a meeting at the bean plant and the farmers were --
9 you know, the producers were all there and that's
10 when I met Mr. Adams.

11 Q. Okay. Other than that meeting, have you
12 talked to any of the producers?

13 A. The only one I would have had the most
14 contact with would have been Curt Amundson, and he
15 was actually the guy that was -- when I went to
16 sample the beans that day when we met with all the
17 farmers, he came up on the catwalk and -- you know,
18 in the process of me wading around in the beans and
19 getting the samples, he was up on the catwalk with
20 a box collecting the bags and assisting me. And
21 then when we moved the inventory out of the bean
22 plant, he was quite helpful with his tools and
23 machinery and stuff to help us get the doors open
24 and move the inventory. So he's the one I had the
25 majority of the contact with.

1 Q. Okay. Other than the physical -- the
2 beans themselves and moving them, any discussions
3 with Curt Amundson regarding Grand Forks Bean
4 Company?

5 A. Well, yes. You know, him and --
6 Mr. Amundson and Todd were good friends and he
7 was -- you know, I met with -- he talked to me
8 about the offset -- you know, the \$52,000 seed
9 offset as being too high, and he wanted -- he
10 needed -- you know, he had this so-called
11 friend-to-friend agreement that Todd McGurk could
12 use his trucks, conveyors, whatever, and he would
13 get those -- those pinto bean seeds at cost. But I
14 says, Well, we need some documents and I have none
15 so, you know, that's -- that's where that's at. It
16 was like basically, gee, I'd like to help you, but
17 I need paper documents. I can't go on hearsay to
18 justify giving you a better price on your offset
19 for the pinto bean seed. That's probably as much
20 contact as I had regarding any of that, so --

21 Q. Okay. So then other than that -- that
22 producer meeting, any conversations with Nick Adams
23 that you recall?

24 A. No. Those -- the majority of those
25 people, I met them at that meeting and I -- when we

1 were moving the beans, I think Brent Baldwin
2 stopped by and a Mr. Altendorf stopped by one time
3 and they just wanted to see how things were going.
4 It was just chitchat. There was nothing about --
5 specific to their situation or anything. Oh, and
6 Mr. -- Mr. Buzz Baldwin also swung by there one --
7 as we were moving beans. I happened to be outside
8 by the truck, and he drove up and we talked a
9 little bit and he left.

10 MR. SCHROEDER: Okay. I think that's all
11 I have. Anybody else have any questions they'd
12 like to ask of Mr. Erdmann?

13 MR. GAUSTAD: This is Dan Gaustad. I just
14 have just a couple of questions.

15 **EXAMINATION**

16 **BY MR. GAUSTAD:**

17 Q. Mr. Erdmann, I represent Brent Baldwin,
18 Baldwin Farms, Inc., and Duane Altendorf in this
19 matter. And you had mentioned that you had had a
20 conversation with Mr. Altendorf, Brent Baldwin and
21 Buzz Baldwin when you were moving the beans?

22 A. Yes.

23 Q. And that was sometime the end of 2014,
24 maybe it was January 2015; is that your
25 recollection?

1 A. That would have been late January or early
2 February because it was, I think, the last week in
3 January when we started moving and we ended up
4 finishing the first week in February. So it would
5 have been in that time frame when we were moving
6 those beans that they would have stopped by.

7 Q. So January, February of 2015?

8 A. Correct.

9 Q. And I understand you did this inspection
10 in February 2014 and there was a lot of questions
11 that occurred at the Grand Forks Bean facility. At
12 that time did you speak to Duane Altendorf at all?

13 A. I spoke with Duane Altendorf in that same
14 time frame when we were moving the beans out of the
15 facility, just was driving by or stopped --

16 Q. I want to take you back to the
17 February 2014 time frame.

18 A. No, I didn't --

19 Q. When you were --

20 A. I spoke --

21 Q. When you were doing that inspection, did
22 you speak to Mr. Altendorf at all?

23 A. No, I didn't.

24 Q. How about Brent Baldwin?

25 A. No, I did not.

1 Q. How about Buzz Baldwin?

2 A. I did not speak to him either.

3 Q. How about anybody -- an employee or any
4 agent of Baldwin Farms, Inc.?

5 A. No.

6 Q. Okay. And I want you to pull out the
7 Exhibits 18 and 20.

8 A. 20 and 18. Okay.

9 Q. I think Exhibit 18 is -- it's got 1108 in
10 the upper right-hand corner; is that right?

11 A. Yes. That's correct.

12 Q. Between the date of September 12 of 2013
13 that's on that document through the -- the date of
14 your inspection in February 2014, did you speak to
15 Brent Baldwin at all?

16 A. No, not that I recall.

17 Q. How about Buzz Baldwin?

18 A. No.

19 Q. How about anybody with Baldwin Farms?

20 A. No.

21 Q. And if you could turn to Exhibit 20.
22 That's got number 1111 in the upper right-hand
23 corner.

24 A. Yes.

25 Q. Looks like it's dated September 23 of

1 2013?

2 A. Yes.

3 Q. From that date until the date through your
4 inspection, did you speak to Mr. Altendorf at all?

5 A. No.

6 Q. So would it be fair to say your first
7 conversations with Mr. Altendorf, Brent Baldwin,
8 Buzz -- or Buzz Baldwin occurred at the time that
9 the beans were being moved in January, February
10 2015?

11 A. That would be correct.

12 Q. Then if I could -- you could turn to --
13 and, I'm sorry, it's Exhibit 18.

14 A. Okay.

15 Q. It's got 1108 in the upper right-hand
16 corner.

17 A. Yes.

18 Q. For Baldwin Farms, Inc./Brent Baldwin?

19 A. Yes.

20 Q. Per your inspection did you review any
21 other documents that had Baldwin Farms, Inc., on it
22 other than the one that's been marked as
23 Exhibit 18?

24 A. Well, there would have been assembly
25 sheets associated with these contracts.

1 Q. I guess I should have clarified. Any
2 other price later marketing agreements that had
3 Baldwin Farms, Inc., on it --

4 A. Not that I recall.

5 Q. -- or --

6 A. No.

7 MR. GAUSTAD: Those are all the questions
8 I have. Thank you.

9 MR. BEEHLER: This is Beehler. I have no
10 questions.

11 MR. MELLAND: This is Melland. I have no
12 questions.

13 MR. ARMSTRONG: No questions. Read and
14 sign.

15 (Concluded at 1:55 p.m., the same day.)

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CERTIFICATE OF DEPONENT

1
2
3
4 I, **TIMOTHY ERDMANN**, the deponent in the
5 foregoing deposition,

6 DO HEREBY CERTIFY that I have read the
7 foregoing and attached 52 typewritten pages, and
8 that the same are, with changes or corrections, if
9 any, set forth on the following correction sheets
10 (setting forth the reason assigned for each change
11 or correction, and duly signed by me), a full,
12 true, accurate and correct transcript of my
13 deposition on oral examination given at the time
14 and place therein indicated.

15 Dated this ____ day of _____,
16 2016.

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TIMOTHY ERDMANN
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CERTIFICATE OF COURT REPORTER AND NOTARY PUBLIC

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STATE OF NORTH DAKOTA)
) ss.
COUNTY OF BURLEIGH)

BE IT KNOWN that I, Stephanie A. Smith, a Registered Professional Reporter, took the deposition herein pursuant to notice or agreement; that I was then and there a Notary Public in and for said County and State; that I exercised the power of that office in taking said deposition; that by virtue thereof, I was then and there authorized to administer an oath; that said witness, before testifying, was duly sworn to testify the truth, the whole truth and nothing but the truth relative to the cause specified therein;

That the said deposition, having been transcribed, was subsequently submitted by me to the said witness, who thereupon read the said deposition and made changes or corrections, if any, as appear noted therein, along with the reason for each thereof, and that the said deposition was thereupon subscribed to by the said witness; that the examination was conducted at the time and place therein specified on behalf of the respective parties as therein indicated; that the foregoing and attached typewritten pages contain a full, true, accurate and correct transcript of my shorthand notes, as they purport to contain, then and there taken;

That I am neither attorney or counsel for, nor related to or employed by, any of the parties to the action in which said deposition is taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto or financially interested in the action.

WITNESS MY HAND AND SEAL this _____ day of _____, 2016.

STEPHANIE A. SMITH
Court Reporter and Notary Public
My Commission expires: 6-19-16

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Memorandum

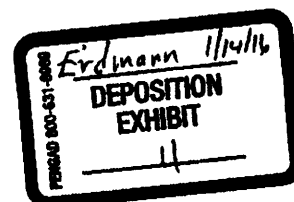
TO: Industry & Interested Parties
FR: Public Service Commission
DT August 2005
RE: Grain Warehouse & Grain Buyer Examination & Safety Manual

Attached is a copy of the current Grain Warehouse & Grain Buyer Examination & Safety Manual. This manual, which was developed in 1997, has recently been revised to identify the procedures and practices currently used by state (& private) warehouse inspectors while conducting grain warehouse and grain buyer examinations. This manual also contains the current laws, rules, and examination report forms.

One of the most substantial changes to this manual was the addition of the Safety Examination Guidelines. These guidelines have been reviewed by the Commission's warehouse inspectors and they have been instructed to follow these safety guidelines to the best of their ability while conducting examinations.

The inspectors face many potential hazards while conducting examinations and they have a right to expect a safe environment in which to work. An effective safety program will assist the inspectors in protecting themselves and others from work place hazards and reduce or prevent accidents.

Please Note: Exhibit I – Grain Warehouse & Grain Buyer Laws, Rules and Policies and Exhibit II - Examination Report Forms are not included in this document. If you would like a copy of the laws, rules, or policies that are part of this manual, they are available on the Commission's website. If you would like a copy of the examination report forms, please call our office and copies will be forwarded to you.



North Dakota
Grain Warehouse & Grain Buyer
Examination & Safety Manual

For Use By
State and Private Inspectors

Licensing Division
Public Service Commission
Twelfth Floor - State Capitol
Bismarck, North Dakota 58505-0480
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August 2005

Forward

This North Dakota Grain Warehouse Inspection Manual was developed in 1997 by the Public Service Commission (Commission) in conjunction with the North Dakota Grain Dealers Association and a variety of interested parties. The manual identified the warehouse inspection procedures used by all state and private inspectors when conducting exams at North Dakota licensed facilities.

In 1999, the Commission purchased ExamHand, a field examination software program custom developed for use by inspectors during examinations. This manual has been revised to: identify the current procedures and practices used by the warehouse inspectors during their exams, including the procedures used when examining roving grain buyers; include the examination report forms generated by the ExamHand program based on information provided by the inspectors during exams; and incorporate the statute changes impacting licensees and patrons. A set of safety guidelines that inspectors must follow while conducting examinations has also been incorporated into the manual. The manual is now identified as the "**North Dakota Grain Warehouse & Grain Buyer Examination & Safety Manual.**"

The homeland security concerns have resulted in the inclusion of a simplified security plan procedure for this manual. The US Department of Agriculture's Commodity Credit Corporation requires a security plan in accordance with the Uniform Grain and Rice Storage Agreement contract. The Commission does not have authority to require licensees implement a security plan; however, licenses are encouraged to develop a facility vulnerability assessment and facility security plan.

The procedures identified in this manual will help ensure examinations are conducted uniformly and safely for the benefit of warehousemen, grain buyers, warehouse patrons, and inspecting entities.

Background

For many years a large majority of grain warehouses in North Dakota stored federal grain and were regularly inspected by federal inspectors. The warehouses inspected by the state inspectors have been involved primarily in the specialty industry including facilities handling commodities such as edible beans, peas and lentils, and

organic and crushing and processing facilities. The inspection program was created to identify and develop an inspection program for the warehouses not inspected by federal inspectors.

The federal government's ongoing efforts to downsize their grain interests have created a greater demand for the state inspection program. The Commission's two grain warehouse inspectors perform approximately 130 grain warehouse inspections a year, in addition to inspecting the roving grain buyers located in state. There are approximately 315 state warehouses, 95 federal warehouses, and 50 roving grain buyers licensed in North Dakota.

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Exhibits

- Exhibit I - Grain Warehouse & Grain Buyer Laws, Rules and Policies
- Exhibit II – Examination Report Forms
- Exhibit III - Daily Position Record
- Exhibit IV - Scale Ticket Examination Procedure
- Exhibit V - Warehouse Receipt Examination Procedure
- Exhibit VI - Open Storage Examination Procedure
- Exhibit VII - Credit-Sale Contract & Indemnity Fund Examination Procedures
- Exhibit VIII – Liquidity Review
- Exhibit IX - Safety Examination Guidelines

Introduction

Commission grain warehouse inspectors conduct an examination to: (1) physically inspect each state grain warehouse facility to determine if the licensee is using only approved space and whether the stated capacity at each facility is accurate to ensure adequate bond; (2) to physically measure all grain on hand at each facility to determine if the inventory agrees with company records and are of a kind, quality, and quantity sufficient to cover all outstanding storage obligations; and (3) determine if each licensee is adhering to generally accepted business practices and applicable laws, rules and Commission policies.

This manual identifies each subject area that must be reviewed as part of the examination process. Each item must be reviewed regardless of whether the examination is conducted by a Commission inspector or by an authorized private inspector. Each inspector shall.

1. Review company operations to determine if the licensee is adhering to generally accepted business practices and state warehousing (or buying) laws and rules. Every document used by the licensee must comply with statutory requirements and bear the same company name. Every required notice must be posted appropriately.
2. Physically inspect each warehouse facility, both on and off-site, to determine if: 1) the licensee is using only approved space; 2) each stated physical capacity is accurate; and 3) the company is adequately bonded.
3. Physically measure all grain on hand to determine if inventories agree with company records and are of a kind, quality, and quantity sufficient to cover all outstanding storage obligations.

The final product of an examination is the issuance of a memorandum of adjustment. This memorandum must identify all deficiencies found during the examination and must be presented to the licensee for review and signature at the conclusion of the examination. A copy should be retained by the licensee and the warehouse inspector. The inspector must file a copy of the memorandum of adjustment with the Commission within seven (7) calendar days. If the memorandum lists formal recommendations, the licensee has thirty calendar days from the date of issuance of the memorandum of adjustment to provide the Commission with a written response, unless specified violations require immediate action.

If the examination was performed by a private inspector, the licensee must send a copy of his response to the Licensing Division and the inspector performing the examination. The inspector must, within seven days of receipt of the response, notify the Commission's Licensing Division of his opinion concerning the licensee's response.

A licensee may be found in violation of state warehousing and grain buying laws and rules if the Commission determines the situation warrants and if the licensee's responses and corrective actions are insufficient. A complaint may be issued immediately following an examination if a serious violation is found.

The following sections discuss related procedures and reporting requirements in more detail. Governing laws, rules and division policies are presented in Exhibit I.

Pre-Examination Preparation

The examination process will be more efficient and effective if the inspector is familiar with the company and has a complete set of necessary records, information, and equipment when the examiner arrives at the warehouse. Some of these items are generic while others are specific to the licensee being examined.

Generic Items - Generic items will be needed for each inspection. The inspector is responsible for procuring and having the following items at his or her disposal when conducting an examination.

1. Safety equipment such as steel toed boots.
2. Coveralls.
3. Cold weather clothing when in season.
4. Measuring equipment.
5. Flashlight.
6. A copy of current state grain warehouse or grain buyer laws, rules and policies.

Specific Items - In addition to generic items needed for virtually all licensees, inspectors should plan ahead to ensure they have specific items needed to conduct a comprehensive inspection in a timely manner. Necessary items include:

1. A copy of the most recent inspection report.
2. A copy of the current bin chart, warehouse diagram, and statement of capacities.
3. Copies of relevant Commission orders since last inspection.

If an inspector does not have any of these items, copies are available from the Commission's Licensing Division. Private inspectors should allow at least ten days for delivery following the submittal of their request.

General Observations

Whenever possible, examinations should be unannounced. Upon arrival, inspectors should introduce themselves to the manager/bookkeeper, brief him or her on the purpose of the visit and time frame expectations, and make arrangements for use of office space, personnel, and access to records, etc. Initial examination activities should include a check for all items licensees are required to post, verifying applicable documents are current.

1. License.
2. Price offerings.
3. Notice of procedures for resolving disputes over grain.
4. Credit-sale contract indemnity fund poster.
5. Storage and handling policy.
6. Bean redelivery policy.
7. Notice of modified office hours (if applicable).

Inspectors shall note warehouse conditions that might be indicative of underlying problems. These conditions might include things such as:

1. Facilities in disrepair.
2. Untidy office and elevator.
3. Uncooperative warehouseman or staff.
4. Out of condition grain (rodent or bird droppings, bugs, and/or sour smell).
5. Facilities not open for business.

The inspector should note every concern on the memorandum of adjustment discussed later in this manual.

Business Practices

Licensees must adhere to generally accepted business practices. In addition to maintaining a complete and current daily position record, licensees must use the documents discussed in the following sections to accurately record and track their company's grain transactions.

Scale Tickets – A scale ticket or comparable receipt must be issued for each load of grain received and must be uniform and consecutively numbered. The original scale ticket must be given to the person delivering the grain. All scale tickets must be converted into cash, noncredit-sale contracts, credit-sale contracts, or warehouse receipts within forty-five days after the grain is delivered to the licensee (North Dakota

Century Code (NDCC) §60-02-11, NDCC §60-02.1-01(2), & North Dakota Administrative Code (ND Admin. Code) §69-07-03).

Scale tickets must be issued in consecutive order and must contain the name of the licensee, the receiving location, the name of the depositor, the type of grain, the percentage of dockage, the test weight, and the gross, tare, and net weights (ND Admin. Code §69-07-03-01). A copy of the scale ticket(s) being used must be filed with and approved by the Commission.

Inspectors should verify scale tickets and all other license documents bear the same name used on the license issued by the Commission. The scale ticket examination procedures are outlined in Exhibit IV.

Warehouse Receipts and Open Storage - The grain held by a licensee may be one or more of the following:

1. Company owned grain.
2. Warehouse receipt grain stored for the receipt holder.
3. Open storage grain delivered to the warehouse within the past forty-five days and the scale ticket has not been converted to cash, warehouse receipt or credit-sale contract.
4. Grain bank grain stored for later use by the owner.

Grain warehousemen offering storage services must use approved warehouse receipt forms. These receipts must contain the information specified in NDCC §60-02-16 & 17 (see Exhibit I).

An examination must include a review of all warehouse receipts issued since the last examination. As a part of this review, the inspector should initial and date all canceled warehouse receipts. All open warehouse receipts should be listed on a warehouse receipt register. The warehouse receipt examination procedures are outlined in Exhibit V and the open storage examination procedures are outlined in Exhibit VI.

Credit - Sale Contract - A credit-sale contract is defined by law as a written contract for the sale of grain whereby all or a portion of the price is to be paid or may be paid more than thirty days after delivery or release of the grain for sale and which contains the notice provided in subsection 7 of §60-02-19.1 (NDCC §60-02-01(2)) and §60-02.1-14 (NDCC §60-02.1-01(2)). Common forms of credit-sale contracts include: deferred payment, delayed pricing, no price established, installment sales, basis fixed, or

variations of these contracts by another name. Each credit-sale contract must be fully executed between the buyer and the seller. A credit-sale contract must be signed to be valid and enforceable. If the buyer has secured independent bond coverage, the amount of bond available must be identified in the contract disclaimer. If no credit-sale contract bond coverage is available, a disclaimer must be printed in bold type immediately above the signature block on the contract with the language identified in ND Admin. Code §69-07-03-06. Although there may not be bond protection afforded to those entering into credit-sale contracts, an indemnity fund was created by the 2003 Legislature that provides protection for unpaid credit-sale contracts executed after August 1, 2003.

The credit-sale contract examination procedures and indemnity fund examination procedures are outlined in Exhibit VII.

Licensed Physical Capacity

A licensed public warehouse cannot use space to hold grain unless the space is licensed. This requirement applies to internal storage, including on-site and off-site storage and ground storage. Space must be licensed based on the physical capacity of the facility and not the volume of grain in the facility. All space must be licensed whether it is used for company owned grain, warehouse receipted grain, etc. A warehouseman's bond requirement is tied to its physical capacity (ND Admin. Code §69-07-02-02). The use of unlicensed space is considered a major violation and may be grounds for an immediate complaint.

Space that is physically connected to a warehouse must be licensed unless it is being used as an approved receiving station as provided for in NDCC §60-02-07.2.

Each examination must verify the physical capacity of the warehouse and determine whether or not the warehouseman is using any unlicensed and/or under bonded space. Verification activities must include a comparison of the firm's facilities with the warehouse diagram, bin chart, and statement of capacities that are on file with the Commission. Newly constructed or off-site bins added to the warehouse's capacity since the last examination must be measured and added to the forms. Inspectors must file updated capacity forms with the Commission along with the memorandum of adjustment as discussed later. Unsafe facilities should not be examined and should be noted on the memorandum of adjustment.

Physical Inventory & Quality Check

Each warehouse examination must include verification of the company's grain stocks. This process must include the physical examination of all space associated with the licensee including off-site storage space. Inspectors should watch for unsafe conditions as identified in the safety section. Unsafe storage facilities should not be entered or measured and should be reported as zero bushels or hundredweight on the bin measurement.

All bins must be inspected to determine the kind, quality, and quantity of grain stored in them. Screenings are not considered "grain" and should not be counted as inventory. Measured inventories must be compared with book inventories. Discrepancies and quality problems must be noted in the memorandum of adjustment.

The inventory process should include a review of the warehouseman's bin charts to ensure they are accurate. Inspectors must be diligent to watch for the use of unlicensed space. To determine the quality of stored grain, inspectors should:

1. Look for poor quality grain received when reviewing scale tickets.
2. Look for conditions indicating deterioration of grain while in storage.
3. Compare samples retrieved with the kind of grain indicated in bin during the measurement.
4. Assess adverse storage conditions to determine when bins were emptied last. If they have not been emptied in two years or more, attempt to recover a representative sample from the bin(s) for quality testing.

Following the completion of the warehouse measurement, the inspector must cross-check the findings with the inventories reported in the warehouseman's daily position report. Inventories must be sufficient to cover warehouse receipt and open storage obligations (ND Admin. Code §69-07-03-10). Significant shortages may be grounds for a complaint and should be noted on the memorandum of adjustment.

The liquidity review procedures are outlined in Exhibit VIII.

Examination Report Forms

Warehouse inspectors should make every effort to obtain all necessary information and documents while at the warehouse. All reports and related work papers should be finalized for submission to the Commission's Licensing Division. A

memorandum of adjustment must be created for every exam. The following items may be included when applicable:

1. Statement of Obligations and Inventory.
2. Bin Capacity Chart.
3. Warehouse Diagram.
4. Statement of Capacities.
5. Working Capital Report.
6. Risk Position Report.
7. Payables/Receivables Report.
8. Storage Report.
9. Open Warehouse Receipt Register.
10. Contract Report.
11. Document Check.

Inspectors should conduct an exit interview with the licensee prior to departure. Interviews should include a review of items listed on the memorandum of adjustments. Inspectors should note on the memorandum of adjustment and verbally emphasize all items requiring a formal written response to the Commission. The licensee should acknowledge receipt of the memorandum of adjustment by signing it in the appropriate place. If the memorandum of adjustment is not completed during the exam, it should be provided to the licensee for appropriate signature once all information necessary to complete it is received. A copy of the completed memorandum of adjustment should be provided to the licensee.

Memorandums of adjustment containing findings on the use of unlicensed space or insufficient grain on hand to cover outstanding warehouse receipt obligations should immediately be electronically forwarded or faxed to the Licensing Division.

The memorandum of adjustment must be filed with the Licensing Division in person or via e-mail or first-class mail, within seven (7) calendar days of completion of the examination. Inspectors must inform the Licensing Division if a written response is required of the licensee. The warehouseman's written response to the memorandum of adjustment must be received by the Licensing Division within thirty (30) days of issuance. When a response is received, a copy will be provided to the inspector involved for evaluation. Within five (5) days of receiving a copy of the licensee's response, the inspector must provide the Licensing Division with a recommendation concerning the

appropriateness of the licensee's response. Subsequent action will be based on input received from all staff.

If a private inspector has been used, the licensee must also send a copy of its response to the memorandum of adjustment to the inspector conducting the examination. Private inspectors must file a letter of response with the Licensing Division within seven (7) days of receipt of the licensee's response. The inspector's response should state whether the warehouseman's corrective actions are adequate. If the corrective actions are considered inadequate, the inspector should make specific recommendations concerning appropriate actions needed. Subsequent action will be based on input received from all staff.

All examination report forms are identified in Exhibit II.

Facility Vulnerability Assessment & Security Plan

State law does not require a licensee file a facility vulnerability assessment & security plan (Plan). However, licensees are encouraged to develop a Plan for use at their facilities. For security reasons, the Plan developed by the licensee should not be available for public disclosure, but should be kept confidential. The Plan should include measures to protect grain handled and stored at the facility. Licensees should conduct a facility vulnerability assessment and establish procedures that address the:

1. General security of the physical structures and grounds of the warehouse.
2. Shipping and receiving procedures to ensure grain is not subject to tampering.
3. Action to be taken in the event of a national emergency.
4. Contact information for local security authorities.

Exhibit I

Grain Warehouse & Grain Buyer Laws, Rules and Policies

Exhibit II

Examination Report Forms

Exhibit III

Daily Position Report

Daily Position Report

Upon arrival at the facility secure the daily position report.

1. Copy all stocks of grain and note date of last entry.
2. Document the reason for any large position change from position on arrival to position on completion.
3. Verify the daily position report has separate columns for each commodity.
4. Verify the accuracy of grain position posting to daily position report.
5. Check five consecutive days immediately prior to examination cut-off for daily position report inconsistencies. Verify numbers to make sure of load outs, check bill of lading on rail cars and bill of lading on trucks, and make sure they were included on the daily position report on that day.
6. Review each day's ending inventory totals and verify the same figure is carried over to start the next day.
7. When reviewing a manual daily position report, select two days each month when company - owned is lowest and / or when entries have been erased. Mathematically check the accuracy of the company-owned column.
8. Check daily position reports for over shipped positions during each month. All non in-transit grain owned or held by a licensed warehouseman must be held in a licensed and bonded warehouse, either within or outside the state. When grain is held in space outside of North Dakota, a non-negotiable warehouse receipt must be issued to the licensed grain warehouseman for the grain and the bond must be increased to cover the obligation.
9. A warehouseman must maintain a grain inventory sufficient to cover outstanding obligations. The failure to maintain inventories sufficient to cover outstanding scale tickets and warehouse receipt obligations must be documented on the memorandum of adjustment. All grain shortages should be discussed with the warehouseman upon completion of the examination. The inspector should inform the warehouseman that significant shortages will likely result in the filing of a staff complaint.
10. Cash purchases remain in open storage or warehouse receipted until checks are sent. (Checks should not be held for extended periods.)

The daily position report should be current and must contain the following information.

1. Date of transaction.
2. Total quantity of all grain received from scale tickets (net grain).
3. Total quantity of all grain loaded out (trucks and rail cars in shipments register) (net grain).
4. Inventory adjustments (acquired by shrink from drying, cleaning, or destination unloading weight adjustments). Shrink adjustments should be done monthly or quarterly (consider warehouse history as a guide for shrinkage).
5. Total grain inventory.
6. Total grain on open storage.
7. Total warehouse receipted grain.

8. Total unpaid company owned grain.
9. Total paid company owned grain.
10. Grain shipped to terminal for storage (may be covered by non-negotiable warehouse receipts or open assembly sheet).

Exhibit IV

Scale Ticket Examination Procedure

Scale Ticket Examination Procedure

- A. Scale tickets must be filed numerically.**
- 1. Scale ticket information is usually routed to customer assembly accounts (includes assembly sheets, settlement sheets, grower sheets or delivery sheets).**
 - 2. Each scale ticket must be numbered consecutively. One copy of each ticket must be retained and filed numerically to remain as a permanent record. The original scale ticket must be delivered to the person from whom the grain is received. Each scale ticket must be converted into cash, non-credit sale contract, credit-sale contract or warehouse receipt within 45 days after the grain is delivered (NDCC §§ 60-02-11 and 60-02.1-01(2)).**
- B. In the numerical scale ticket file, select at random two tickets at least 51 numbers apart and check the next 50 numbers to verify no tickets are missing.**

Pre-select scale tickets for a document check. Select twenty scale tickets or more, at random, and follow through to conversion. The inspector must verify conversion of the following options by the identified processes.

- 1. Paid grain – go to settlement sheet and canceled check.**
- 2. Warehouse receipt grain – verify if warehouse receipt is open and found on the warehouse receipt report.**
- 3. Open storage – verify to open storage report.**
- 4. Credit-sale contract – verify to corresponding credit-sale contract report (check for signed contract).**

Exhibit V

Warehouse Receipt Examination Procedure

Warehouse Receipt Examination Procedure

1. Check and record the disposition of at least ten warehouse receipts canceled since the last examination. If less than ten receipts were issued since the last examination, check and record the disposition of all warehouse receipts.
2. Record each open warehouse receipt.
3. Each warehouse receipt should be canceled by writing the following information on the receipt:
 - A. Date canceled.
 - B. Check number.
 - C. Contract number.
 - D. Loading order. and
 - E. Reissued warehouse receipt number.

Warehouse Receipt Information

Verify each warehouse receipt is commodity and quantity specific, accounted for, and if canceled, verify return of receipt to warehouse receipt book. The inspector must:

1. Verify company owned grain is sufficient to cover all collateral and non negotiable warehouse receipts issued since the last examination.
2. Verify postings to daily position (dates of issuance and cancellation) for accuracy.
3. Confirm via fax, mail or telephone that all open collateral warehouse receipts at cut-off are in the possession of and being used as collateral by the lending institution(s). and
4. Confirm dates of cancellation coincide with the dates of release by the lending institution(s).

Exhibit VI

Open Storage Examination Procedure

Examination Procedure for Open Storage

- 1. Review delivery and assembly sheet issue dates on all open storage grain for violation of the forty-five day conversion rule.**
- 2. Review and verify grain accounting classifications which have not been converted to warehouse receipts such as grain bank, CCC open storage, storage loading order, etc.**
- 3. Review mathematical calculations of customer open storage records.**
- 4. Record all categories of open storage in the storage register.**
- 5. Total all open storage and grain bank grain and reconcile with the various categories on the daily position report.**

Exhibit VII

**Credit-Sale Contract and
Indemnity Fund Examination Procedures**

Credit-Sale Contract Examination Procedure

1. Examine contracts to verify that each type of contract used by the licensee contains or provides for all items identified in NDCC §§ 60-02-19.1 and 60-02.1-14 and each of these items has been completed when the contract was executed.
2. Review and record all unpaid or open credit-sale contracts. All contracts must be accounted for in the licensee's records. Any discrepancies such as missing signatures, duration dates, etc. should be noted. If an inspector discovers expired contracts, the inspector should remind the licensee the contracts must be settled. If the licensee asks for settlement options, an inspector may provide appropriate options, but must never direct the licensee to use a specific procedure. The inspector must verify:
 - A. Installment sales or deferred payment contracts indicate a grain quantity and final dollar amount payable and are recorded as accounts payable in the examination process.
 - B. Contracts such as priced later or basis fixed indicate a grain quantity amount and no final dollar amount and are recorded under contracted unpaid company owned grain. and
 - C. Advances received are recorded correctly. Typically, basis fixed contracts are advanced 70 to 80% of the contract value at date of issue.
3. Compare the total amounts from the various contract categories against the daily position report totals and the accounts payable totals, if applicable, and note any discrepancies.
4. If a large quantity of grain is inventoried under invalid contracts, the inspector shall move these specific quantities back to an open storage position and note shortages, if any, on the memorandum of adjustment.
5. If a minimal amount of grain is involved with a few invalid contracts, note the contract numbers and indicate these contracts and the associated problem on the memorandum of adjustment.
6. Conduct a spot check of canceled or paid credit-sale contracts and follow to final disposition. Note any settlement discrepancies. The amount of the various contracts to be spot checked shall be determined by the number of contracts used by the warehouseman since the last examination at the discretion of the inspector.

Indemnity Fund Examination Procedure

- 1. The credit-sale contract spot check should include a review to verify the indemnity fund assessment is accurately applied.**
- 2. Compare contract issue date against the settlement date to verify:**
 - A. The fee is properly collected.**
 - B. Payment made within thirty days or less of issue date is a cash sale, and**
 - C. Payment exceeding thirty days of issue date is a valid credit-sale contract requiring assessment and collection of fee.**
- 3. The inspector should review the settlement of several contracts issued in late November and December with a January payment date to verify the accuracy of the assessment collections.**
- 4. Verify the licensee is maintaining a credit-sale contract ledger either manually or electronically. Review this ledger for accuracy in comparison to the amount of money submitted in the quarterly reports.**

Exhibit VIII
LIQUIDITY REVIEW

Liquidity Review

This procedure assesses the licensee's potential to pay for unpaid company owned grain. **THIS REVIEW IS NOT A COMPLETE FINANCIAL AUDIT.**

1. Enter any grain in-transit or priced grain in terminal awaiting payment. Question the licensee or office staff about any advances that may have been received upon shipment of such grain. If advances have been received, verify the amount (commission companies typically advance 70 - 80% upon rail shipment). The bushels entered as in-transit or forwarded must accurately reflect the grain remaining to be paid. Reduce the bushels shipped by the amount paid by the advance.
2. Consult with the licensee and establish the cash price to the producer for all company owned grain and priced later grain. Company owned and priced later grain should be priced according to quality.
3. Basis fixed contracts require the future price on the examination day at the applicable month and location of the board of trade stated in the contract, less the basis indicated.
4. Enter the appropriate cash price on the risk position for company owned grain and complete the mark to market application for the priced later and basis fixed grain. This process prices out the contract grain and will appear on the contract by type report.
5. Review the working capital report to verify grain assets are sufficient to cover grain liabilities. If there is a negative value on the working capital report, other additional current assets such as cash in the bank, commission company balances, cash value from margin accounts, unaccounted cash grain advances, or a combination of net long and short positions in futures trades should be entered to reach a point where the company liabilities are covered. The inspector should enter one additional asset at a time and consider the process complete when a positive working capital balance has been achieved.

Exhibit IX

SAFETY EXAMINATION GUIDELINES

Safety Examination Guidelines

General Safety Guidelines

Warehouse inspectors must follow applicable safety guidelines to the best of his/her ability. Upon arriving at the warehouse the warehouse inspector shall.

1. Announce your arrival at the facility before starting any phase of the examination.
2. Verify warehouse personnel are aware of your presence. Request the warehouseman delay operations in your immediate working area.
3. Be subject to the requirements of any safety program in effect at a North Dakota warehouse while on the premises. If the warehouseman does not have a safety program, encourage the warehouseman to consider establishing one.
4. Be familiar with the emergency evacuation plan, signals, and routes. Know how to evacuate quickly in the event of an emergency.
5. Inquire about hazardous chemicals and conditions that may be encountered. Warning signs may be empty chemical containers, taped hatches, and/or chemical odors.
6. Not walk on the grain surface if you suspect the grain may be bridged.
7. Be extremely cautious of acute grain slopes, or where wading or spontaneous action may create a hazard from sliding grain.
8. Be aware of deteriorating grain and mold which can emit dangerous gases and cause an oxygen deficient atmosphere.
9. Conduct yourself in a professional and responsible manner, remaining alert to the conditions that may endanger you or others.
10. Know the whereabouts of each other at all times when working with a fellow inspector or another individual. A warehouse employee must accompany the inspector while measuring grain, unless the licensee provides the inspector with a radio or other communication device.
11. Dress appropriately – do not wear loose clothing around running machinery and belts. Jewelry can contribute to injury under certain conditions. As a general rule, dangling items should not be worn when working outside the office. Be aware of wrist watches and rings when climbing stairs or ladders. Long hair should be confined to prevent exposure to machinery and equipment.
12. Use both hands on a ladder – equipment should be stowed on your person or hauled up and down by rope.
13. Be familiar with symptoms and preventative measures of heat exhaustion.
14. Always use handrails when climbing stairs. Be alert for moisture, grain, and dust accumulation, stay alert for overhead obstructions, and always ascend or descend one step at a time.
15. Watch for worn or defective equipment, limit switches being tied open, inoperative emergency brake release, inoperative doors (tied open), and loose counter-weights, when using man lifts.
16. Verify catwalks are guarded with handrails, their flooring is grated or of a non-slip material, walk single file and well spaced to distribute the weight load, be alert for

- overhead obstructions, when getting on or off be sure of your handhold and footing, and always walk, when using catwalks.
17. Be provided with a safe access to the roof top examination points. Outside flat roof storage bins must be equipped with perimeter roof railing, hand rails to each examination point, and other acceptable safety aids as dictated by prevailing conditions.
 18. Stay clear of vehicles in the process of loading or unloading which may start, stop, or change direction without notice.
 19. Never go under or between parked rail cars.
 20. Never attempt to hitch a ride on a moving rail car.
 21. Be alert to all vehicle movement. Do not rely on the operator to assure your safety.

Safety Hazards

All warehouses contain safety hazards which may not be possible to eliminate. Once hazards are identified, they can be avoided or dealt with safely. Safety conditions should be reviewed and addressed at each facility. When safety hazards are identified, the warehouse inspector should.

1. Request the warehouseman correct the condition causing the hazard.
2. Use personal protective equipment to negate the hazard.
3. Refuse to enter the area if you perceive a condition that could reasonably be considered a threat to your safety.

Be aware that grain dust is highly explosive when the following elements are present.

1. Oxygen.
2. Grain dust.
3. Confined space.
4. Source of ignition.
5. Dust in suspension.
6. Low moisture dust.
7. A minimum concentration of dust.

Although oxygen, grain dust, and confined space are always present, a source of ignition such as a faulty electrical connection, static electricity, a hot bearing, a spark from tramp metal in the grain stream, smoking, welding, or any similar operation producing a spark or open flame, is needed for an explosion to occur. The presence of dust in suspension, dust that is low in moisture, and a minimum concentration of dust should increase awareness to potential danger. Although warehouse inspectors have little opportunity to control the elements contributing to a dust explosion, be familiar with these

elements in an effort to avoid this type of hazard. If you believe conditions exist that are conducive to an explosion, you should discuss your concerns with the warehouse management and your supervisor.

Warehouse inspectors must wear personal protection equipment, as appropriate, including:

1. Head protection - must meet the American National Standards Institute and should be worn to prevent bumping the head on an object or being struck by a falling object. Damaged hats should be replaced immediately upon request.
2. Hearing protection - as required by the Occupational Safety & Health Act (OSHA) must be worn when warehouse examiners are exposed to noise at or above an 8-hour time-weighted average of 85 decibels.
3. Foot protection - steel toed shoes must be worn when foot safety is a concern. Always wear shoes with non-slip soles that provide protection for prevailing conditions.
4. Eye protection - if you believe you will be exposed to chemical hazards or other conditions requiring auxiliary eye protection, request safety non-prescription glasses or goggles.
5. Fall protection - the licensee should provide you with safety harnesses as necessary.

Bin Warehouse Access

An inspector's greatest exposure to safety hazards will occur while measuring grain inventory. When accessing bins and warehouses, only safe devices should be used. The most common devices are fixed ladders, stairways, man lifts, catwalks, and roof ladders. Use only equipment meeting OSHA standards. If the only access available to a storage facility is unsafe, DO NOT access the container.

Use caution when accessing flat storage buildings especially if equipment is in operation. To safely inventory a flat building warehouse inspectors must.

1. Notify the equipment operator that you will be working in the building.
2. Always be aware of where machines are working and how long it will affect your safety.
3. Be aware of possible carbon monoxide levels from the exhaust emissions.
4. Notify the operator when you leave the building.
5. Do not use the bucket for being lifted or transported.

The bin floor is generally the primary access point when inventorying conventional wood or concrete elevators. While in the bin do not:

1. Step on a manhole cover or grate.
2. Step on, walk on, or step across a conveyor belt, even if it is idle.

3. Step upon the cover of an auger or drag conveyor – unless it is constructed to also be used as a catwalk in which case it must be fitted with special cover and handrails. If you are unsure, ask warehouse personnel.
4. Step across an uncovered auger or drag conveyor while it is in operation.

Always be alert for overhead obstructions and use caution when working around spilled grain. Also be alert for oil, water, or grease spills, portable power cords, rope, dust covers for grated openings, etc. Dust and spilled grain may hide a hazard which, otherwise, could be easily avoided. Such conditions also add to the risk of fire and/or dust explosion, and should be pointed out to management in your departure report. Also watch for uncovered manholes and unguarded openings. You have a right to safe access to all storage bins and it is important that you report any recognized unsafe conditions to the warehouse management.

Ladder Use

When using ladders, warehouse inspectors must.

1. Be aware of all overhead obstructions and be especially alert for overhead electrical service lines.
2. Place ladders only on solid and level footing. If using an extension ladder, be sure the extensions are in good working order.
3. Have someone hold the ladder to prevent slipping, if it rests against a rounded or uneven surface.
4. Be aware of overhead power lines and avoid contact.
5. Use the proper sized ladder. It should extend at least three feet above the dismount or working level.
6. Keep the feet of a straight portable ladder out from the bin wall one foot for each four feet of vertical distance being climbed.
7. Use only fixed ladders when access is more than 20 feet above the ground level.
8. Use cages, belts, or safety devices for primary access ladders more than 20 feet long. The rungs should be evenly spaced and not more than 12 inches apart.
9. Check for loose or missing rungs before using wood or aluminum ladders.
10. Check portable hook ladders (hanging) for rust or damage before using. Verify the "hooks" are still rounded and free of kinks, the top is hung over a solid object, and it does not exceed its working limit.
11. Check fixed ladders on bin exteriors to insure they are securely fastened to the bin. Stay alert for obstructions, such as spouts, landings, and electrical service wires.
12. Always use both hands when ascending or descending.
13. Always use extreme caution on slick, wet, or ice coated ladders and avoid whenever possible.
14. Never climb onto a ladder until a previous climber is off and clear of the ladder.

15. Do not use a fork-lift to reach the bottom rung of a bin ladder or reach the inspection door at the roof eve.
16. If the distance between the ground and the step-off point is greater than 30 feet, the ladder should be caged or partially enclosed, or equipped with another kind of approved safety device.

Driving Safety

Travel is part of the job of being a warehouse inspector and must practice safe driving at all times. Warehouse inspectors must.

1. Always wear seat belts.
2. Have a valid driver's license.
3. Observe all traffic ordinances.
4. Be aware of hazardous driving conditions.
5. Always drive defensively.

The purpose of this Safety Examination Guide is to help the inspectors be aware of the potential hazards in their work place. This guide will assist the inspectors in protecting themselves and others from work place hazards, and reduce or prevent accidents. This guide does not in any way relieve the inspectors from complying with all Commission policies.

PUBLIC SERVICE COMMISSION

GRAIN INSPECTIONS AND COMPLAINTS

POLICY 4-04-00 (0)

November 22, 2000

A. PURPOSE

This policy sets forth minimum procedures that must be followed when conducting inspections of state licensed grain warehouses and grain buyers. It also identifies licensee practices that warrant written documentation by Licensing Division inspection personnel and either an immediate complaint filing or follow-up inspection activity to insure that corrective action has been taken by the licensee.

B. POLICY

All inspections conducted by Licensing Division inspection personnel must result in the preparation of a Memorandum of Adjustment (SFN 17993). These reports must identify licensee operating practices that require modification to comply with state grain laws and rules and generally accepted business practices. This form must be presented to and signed by the licensee prior to the inspector's departure.

Inspectors must pay particular attention to matters pertaining to the use of unlicensed space, grain on hand requirements, and payment delays when conducting inspections of state licensed grain warehouses and grain buyers. Each of these topics is discussed in more detail below. Violations must be identified on the Memorandum of Adjustment and promptly reported to the division director. A copy of reports that contain significant violations must be forwarded to the licensee's owner, president of the board of directors, etc.

Except in instances where prompt corrective action has been taken to address the use of unlicensed warehouse space, division personnel must schedule a return visit within approximately forty-five days to determine if appropriate corrective action has been taken. If observed problems have not been rectified, the inspector must immediately contact the division director and a formal complaint shall be filled with the Commission.

Unlicensed Space

The use of unlicensed space must be reported and documented. The licensee will be given three working days from the date of the observed violation to take appropriate corrective action. If corrective action is not taken in a timely manner,

staff is directed to file a corresponding complaint against the licensee. If the violation involves a significant amount of space, staff is directed to file a complaint for Commission consideration even if the licensee took prompt action to correct the mistake.

Grain on Hand

A warehouseman's failure to maintain inventories sufficient to cover outstanding scale tickets and warehouse receipt obligations must be reported and documented. Significant shortages necessitate the filing of a staff complaint.

Payment Delays

The licensee's failure to pay for grain in a timely manner must be reported and documented on the Memorandum of Adjustment. The division should work with the licensee to determine the reason for the delay and to insure that payments are made promptly. If the dollar amount is deemed significant, a staff complaint must be filed.

Other Items

Inspections should not be limited to the items listed above. Reviews should assess all licensee activities to insure that they are adhering to generally accepted grain industry business practices and state laws and rules that are within the Commission's jurisdiction.

Repeat Violations

If an inspection identifies a violation that was the subject of a staff complaint within the past five years, a staff complaint should be filed immediately.

REFERENCES

- (0) PSC Minutes, November 22, 2000

Public Service Commission Elevator Inspections Report

Grand Forks Bean Company, Inc.

2120 N Washington St

Grand Forks

ND 58201

Phone: 701-775-3984

Fax: 701-775-3985

E-Mail gfbeanco@integra.net

Corp # 3245 Hay Buyer #

Grain Buyers#:

ND SS ID

21261200

ND SS entity type:

Inspection Date: 2/26/2014

Exam Type: Public Grain Warehouse

Inspector: Erdmann

Operations Review:

Capacity Review:

Inventory Review:

Response Required:

[2000] The exam and spot check procedure revealed no conditions or errors.
Thank you, [2000]

Locations Examined

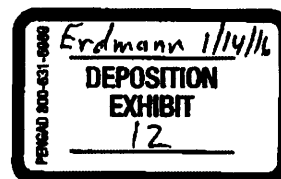
Annual Activity Case

License No

GE 14 595

1164

Grand Forks



PSC 2043



Memorandum of Adjustment

Grand Forks Bean Company, Inc.
2120 N Washington St
Grand Forks , ND
County:

License No: 3245

Exam Date: 02/26/2014

Examiner: 1

Number of items on this report: 1

An examination of this warehouse and/or the commodities stored there disclosed the following conditions which must be corrected as soon as possible. These conditions may also be in violation of state laws or rules. The issuance of this form is a report of the conditions found at this examination and is not an election by the North Dakota Public Service Commission to be taken..

Examiner comments are shown in *italic* below each item.

No Book Adjustments Required

Item no: 2000

refer to: See Examiner Comments Below

The exam and spot check procedure revealed no conditions or errors.

Thank you,

Timothy Erdmann
Name of PSC Examiner

02/26/2014

Date

I acknowledge receipt of this form. I understand that the above conditions must be corrected as soon as possible. The corrective action must be mailed to the licensing division offices within 30 days of the date received. If all corrections are not completed in 30 days, I will report my progress and continue to submit reports at 15-day intervals until all corrections are completed.

Todd M
Licensee's Signature
President
Title

Todd McGurk
By (please print)
2/26/14
Date

Please submit report to: Licensing Division
Public Service Commission
600 E. Boulevard Ave. Dept. 408
Bismarck, ND 58505-0480

Phone: 701-328-4097
Fax: 701-328-2410
Email: srichter@nd.gov
www.psc.state.nd.us

PRICE LATER MARKETING AGREEMENT

1101

COMPANY Grand Forks Bean Co., Inc.
GROWER Ron Adams
ADDRESS Reynolds, ND

WHEREAS, pinto beans undergo a quality deterioration in this area and cannot be stored over crop year and

WHEREAS, the parties desire to provide a market beneficial to the grower and to the company which requires a constant supply of pinto beans available to the company throughout the winter months and so the company may conduct an orderly marketing operation and so that the grower may also have choice in the time for marketing his pinto beans:

NOW THEREFORE, it is hereby agreed by and between the grower and the company as follows:

1. The company will accept, to the extent of its plant capacity to handle them, U.S. No. 1 and U.S. No. 2 Pinto Beans, with a moisture content not over 15%, grown and delivered to it by grower. Upon deliver of the pinto beans to the company plant, a receiving ticket will be issued to the grower and the issuing of the ticket will thereupon transfer title of th pinto beans to the company.
2. The beans delivered will be priced before July 1, 2014. On those pintos on which to Grower Prices, the price will be the posted market price on the date of pricing.
3. The company reserves the right to withdraw from the market due to slow market conditions from time to time.
4. Checks for the pinto beans will be issued only on growers request.
5. Signing this agreement does not automatically put your beans under this Marketing agreement. It is necessary for you to notify the company at the time each truck is delivered.
6. Seller hereby warrants that he has good and merchantable title and the right to sell the beans hereinabove described and that said beans are free and clear of all liens, mortgages, and encumbrances of any kind of nature whatsoever.
7. This Contract shall be non-assignable by either Buyer or Seller.
8. Service fee of ~~\$0.0000~~ ⁰⁰⁴⁹³ per-day per cwt applies.

Dated this Nov day of 27, 20 13.

2010 Crop

Grand Forks Bean Co., Inc.

COMPANY

BY [Signature]

6232.33 cwt.

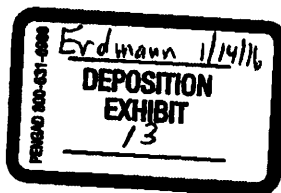
[Signature]

GROWER

THIS CONTRACT IS NOT PROTECTED BY NORTH DAKOTA STATUTORY WAREHOUSEMAN'S BOND COVERAGE IN THE EVENT OF BUYER'S INSOLVENCY.

[Signature]

Seller



PRICE LATER MARKETING AGREEMENT 1102

COMPANY Grand Forks Bean Co., Inc.

GROWER ~~Adams~~ Adams, Nick

ADDRESS Raynolds, ND

WHEREAS, pinto beans undergo a quality deterioration in this area and cannot be stored over crop year and

WHEREAS, the parties desire to provide a market beneficial to the grower and to the company which requires a constant supply of pinto beans available to the company throughout the winter months and so the company may conduct an orderly marketing operation and so that the grower may also have choice in the time for marketing his pinto beans:

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7. This Contract shall be non-assignable by either Buyer or Seller.
8. Service fee of ~~6.00000~~ ^{0.00493} per day per cwt applies.

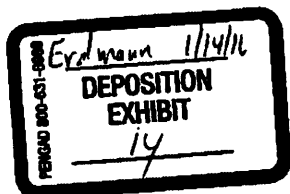
Dated this 27th day of Nov, 20 13.

2012 Crop

1908.55 cwt

Grand Forks Bean Co., Inc.
COMPANY BY TRW

Nick Adams
GROWER



THIS CONTRACT IS NOT PROTECTED BY NORTH DAKOTA STATUTORY WAREHOUSEMAN'S BOND COVERAGE IN THE EVENT OF BUYER'S INSOLVENCY.
NA Seller

PRICE LATER MARKETING AGREEMENT 1103

COMPANY Grand Forks Bean Co., Inc.

GROWER ~~John~~ Adams, Ron

ADDRESS Reynolds, ND

WHEREAS, pinto beans undergo a quality deterioration in this area and cannot be stored over crop year and

WHEREAS, the parties desire to provide a market beneficial to the grower and to the company which requires a constant supply of pinto beans available to the company throughout the winter months and so the company may conduct an orderly marketing operation and so that the grower may also have choice in the time for marketing his pinto beans:

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7. This Contract shall be non-assignable by either Buyer or Seller.
8. Service fee of \$~~0.00~~^{0.0493} per day per cwt applies.

Dated this 27th day of Nov, 20 13.

2012 Crop
3,345.91
<1,800.00> 12/31/12
1,545.91

Grand Forks Bean Co., Inc.

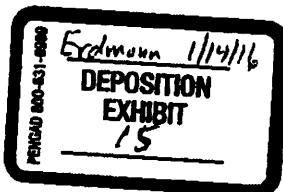
COMPANY

BY

Ron Adams
GROWER

THIS CONTRACT IS NOT PROTECTED BY NORTH DAKOTA STATUTORY WAREHOUSEMAN'S BOND COVERAGE IN THE EVENT OF BUYER'S INSOLVENCY.

[Signature]
Seller



PRICE LATER MARKETING AGREEMENT 1104

COMPANY Grand Forks Bean Co., Inc.
GROWER CURT AMUNDSON
ADDRESS _____

WHEREAS, pinto beans undergo a quality deterioration in this area and cannot be stored over crop year and

WHEREAS, the parties desire to provide a market beneficial to the grower and to the company which requires a constant supply of pinto beans available to the company throughout the winter months and so the company may conduct an orderly marketing operation and so that the grower may also have choice in the time for marketing his pinto beans:

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7. This Contract shall be non-assignable by either Buyer or Seller.
8. Service fee of ~~\$0.0000~~ ^{0.00493} per day per cwt applies.

Dated this 5th day of SEPTEMBER, 20 13.

17,128.28 cwt
<5,000.00> 1/28/14
12,128.28

Grand Forks Bean Co., Inc. T. J. J. M.
COMPANY BY
Curt Amundson
GROWER

STORAGE (6)
9/1/13 THRU 2/28/14
3,587.54

THIS CONTRACT IS NOT PROTECTED BY NORTH DAKOTA STATUTORY WAREHOUSEMAN'S BOND COVERAGE IN THE EVENT OF BUYER'S INSOLVENCY.

Erdmann # 11/4/14
DEPOSITION
EXHIBIT
16

CM
Seller

PRICE LATER MARKETING AGREEMENT

1106

COMPANY Grand Forks Bean Co., Inc.
 GROWER Chuck Nelson
 ADDRESS Thompson, ND

WHEREAS, pinto beans undergo a quality deterioration in this area and cannot be stored over crop year and

WHEREAS, the parties desire to provide a market beneficial to the grower and to the company which requires a constant supply of pinto beans available to the company throughout the winter months and so the company may conduct an orderly marketing operation and so that the grower may also have choice in the time for marketing his pinto beans:

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7. This Contract shall be non-assignable by either Buyer or Seller.
8. Service fee of \$~~0.00~~^{0.00493} per day per cwt applies.

Dated this 29th day of September, 2013.

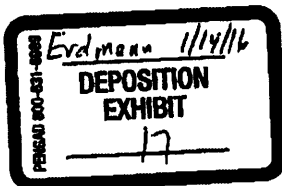
6,315.08 cwt
 <5,000.00> 12/31/13
 1,315.08

Grand Forks Bean Co., Inc.

COMPANY BY

Chuck Nelson
 GROWER

THIS CONTRACT IS NOT PROTECTED BY NORTH DAKOTA STATUTORY WAREHOUSEMAN'S BOND COVERAGE IN THE EVENT OF BUYER'S INSOLVENCY.
C.N. Seller



PRICE LATER MARKETING AGREEMENT 7108

COMPANY Grand Forks Bean Co., Inc.
GROWER BALDWIN FARMS INC. / Brent Baldwin
ADDRESS ST. THOMAS

WHEREAS, pinto beans undergo a quality deterioration in this area and cannot be stored over crop year and

WHEREAS, the parties desire to provide a market beneficial to the grower and to the company which requires a constant supply of pinto beans available to the company throughout the winter months and so the company may conduct an orderly marketing operation and so that the grower may also have choice in the time for marketing his pinto beans:

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7. ~~This Contract shall be non-assignable by either Buyer or Seller.~~
00493
8. Service fee of ~~\$0.0000~~ per day per cwt applies.

Dated this 12 day of SEPTEMBER, 20 13.

6,226.07 cwt
43,000.00 > 12/27/13
3,226.07

Grand Forks Bean Co., Inc. Ted D. ...
COMPANY BY
Brent Baldwin by [Signature]
GROWER

THIS CONTRACT IS NOT PROTECTED BY NORTH DAKOTA STATUTORY WAREHOUSEMAN'S BOND COVERAGE IN THE EVENT OF BUYER'S INSOLVENCY.

S.H.

Seller



PRICE LATER MARKETING AGREEMENT

1109

COMPANY Grand Forks Bean Co., Inc.
 GROWER Brad Nelson
 ADDRESS EGF, MN

WHEREAS, pinto beans undergo a quality deterioration in this area and cannot be stored over crop year and

WHEREAS, the parties desire to provide a market beneficial to the grower and to the company which requires a constant supply of pinto beans available to the company throughout the winter months and so the company may conduct an orderly marketing operation and so that the grower may also have choice in the time for marketing his pinto beans:

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7. This Contract shall be non-assignable by either Buyer or Seller.
8. Service fee of \$.00329 per day per cwt applies.

Dated this 6th day of Sept, 2013.

1,810,44 cwt

Grand Forks Bean Co., Inc. BY [Signature]
 COMPANY
Brad Nelson
 GROWER

THIS CONTRACT IS NOT PROTECTED BY NORTH DAKOTA STATUTORY WAREHOUSEMAN'S BOND COVERAGE IN THE EVENT OF BUYER'S INSOLVENCY.

B 27

Seller



PRICE LATER MARKETING AGREEMENT 1171

COMPANY Grand Forks Bean Co., Inc.
GROWER Dwane Albersdorf
ADDRESS St Thomas, ND

WHEREAS, pinto beans undergo a quality deterioration in this area and cannot be stored over crop year and

WHEREAS, the parties desire to provide a market beneficial to the grower and to the company which requires a constant supply of pinto beans available to the company throughout the winter months and so the company may conduct an orderly marketing operation and so that the grower may also have choice in the time for marketing his pinto beans:

NOW THEREFORE, it is hereby agreed by and between the grower and the company as follows:

1. The company will accept, to the extent of its plant capacity to handle them, U.S. No. 1 and U.S. No. 2 Pinto Beans, with a moisture content not over 15%, grown and delivered to it by grower. Upon deliver of the pinto beans to the company plant, a receiving ticket will be issued to the grower and the issuing of the ticket will thereupon transfer title of th pinto beans to the company.
2. The beans delivered will be priced before July 1, 2014 On those pintos on which to Grower Prices, the price will be the posted market price on the date of pricing.
3. The company reserves the right to withdraw from the market due to slow market conditions from time to time.
4. Checks for the pinto beans will be issued only on growers request.
5. Signing this agreement does not automatically put your beans under this Marketing agreement. It is necessary for you to notify the company at the time each truck is delivered.
6. Seller hereby warrants that he has good and merchantable title and the right to sell the beans hereinabove described and that said beans are free and clear of all liens, mortgages, and encumbrances of any kind of nature whatsoever.
7. This Contract shall be non-assignable by either Buyer or Seller.
8. Service fee of \$.00329 per day per cwt applies.

Dated this 23 day of Sept, 2013.

4,408.22 cwt
(2,000.00) 12/31/13
2,408.22

Grand Forks Bean Co., Inc. [Signature]
COMPANY BY
Dwane Albersdorf
GROWER



THIS CONTRACT IS NOT PROTECTED BY NORTH DAKOTA STATUTORY WAREHOUSEMAN'S BOND COVERAGE IN THE EVENT OF BUYER'S INSOLVENCY.
DA Seller

SALES CONTRACTS

WHICH WAREHOUSE DOES
NOT PROTECT PERSONS ENTERING INTO
SALES CONTRACTS DELAYED
OR OTHER
MANAGEMENT

Edelman 1/11/16
DEPOSITION
EXHIBIT
21
FEDERAL 800-851-8888

0000-000-000 00000

Exhibit 11/11/16
DEPOSITION
EXHIBIT
22

Public Service Commission Elevator Inspections Report

Grand Forks Bean Company, Inc.

2120 N Washington St

Grand Forks

ND 58201

Phone: 701-775-3984

Fax: 701-775-3985

E-Mail gfbeanco@integra.net

ND SS ID 21261200

Corp # 3245 Hay Buyer #

Grain Buyers#:

ND SS entity type:

Inspection Date: 8/18/2009

Exam Type: Public Grain Warehouse

Inspector: Erdmann

Operations Review:

Capacity Review:

Inventory Review:

Response Required:

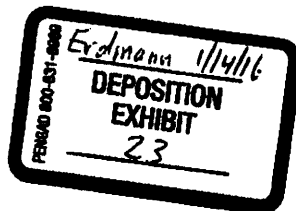
No conditions observed

Locations Examined

License No

1164

Grand Forks



5 GE-09-468 Filed: 8/18/2009 Pages: 1
Memorandum of Adjustment Activity Summary and
Inspector Recommendation PSC 2047

Public Service Commission

Timothy Erdmann



North Dakota Public Service Commission
Memorandum of Adjustment

08/18/2009 03:54:48 PM

Page: 1

License No: 3246

Exam Date: 08/18/2009

Examiner: 1

Number of Items on this report: 1

Grand Forks Bean Company, Inc.
2120 N Washington St
Grand Forks, ND
County:

An examination of this warehouse and/or the commodities stored there disclosed the following conditions which must be corrected as soon as possible. These conditions may also be in violation of state laws or rules. The issuance of this form is a report of the conditions found at this examination and is not an election by the North Dakota Public Service Commission to be taken.

Examiner comments are shown in *italic* below each item.

No Book Adjustments Required

Item no: 1000

refer to: None

NO CONDITIONS OBSERVED AT THIS TIME.

The exam and spot check procedure revealed no problems or errors

Thank you,

Timothy Erdmann
Name of PSC Examiner

08/18/2009

Date

I acknowledge receipt of this form. I understand that the above conditions must be corrected as soon as possible. The corrective action must be mailed to the licensing division offices within 30 days of the date received. If all corrections are not completed in 30 days, I will report my progress and continue to submit reports at 15-day intervals until all corrections are completed.

Todd McGuck
Licensee's Signature
President
Title

Todd McGuck
By (please print)
8/18/09
Date

Please submit report to: Licensing Division
Public Service Commission
600 E. Boulevard Ave. Dept. 408
Bismarck, ND 58505-0490

Phone: 701-328-4087
Fax: 701-328-2410
Email: erichler@nd.gov
www.psc.state.nd.us

1001

PRICE LATER MARKETING AGREEMENT

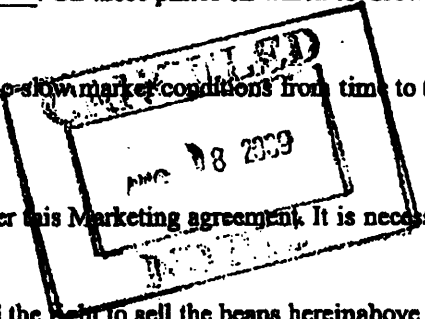
COMPANY Grand Forks Bean Co., Inc.
 GROWER Chuck Nelson / Nelson Farms
 ADDRESS Thompson, ND

WHEREAS, pinto beans undergo a quality deterioration in this area and cannot be stored over crop year and

WHEREAS, the parties desire to provide a market beneficial to the grower and to the company which requires a constant supply of pinto beans available to the company throughout the winter months and so the company may conduct an orderly marketing operation and so that the grower may also have choice in the time for marketing his pinto beans:

NOW THEREFORE, it is hereby agreed by and between the grower and the company as follows:

1. The company will accept, to the extent of its plant capacity to handle them, U.S. No. 1 and U.S. No. 2 Pinto Beans, with a moisture content not over 15%, grown and delivered to it by grower. Upon deliver of the pinto beans to the company plant, a receiving ticket will be issued to the grower and the issuing of the ticket will thereupon transfer title of th pinto beans to the company.
2. The beans delivered will be priced before Sept. 30. On those pintos on which to Grower Prices, the price will be the posted market price on the date of pricing.
3. The company reserves the right to withdraw from the market due to slow market conditions from time to time.
4. Checks for the pinto beans will be issued only on growers request.
5. Signing this agreement does not automatically put your beans under this Marketing agreement. It is necessary for you to notify the company at the time each truck is delivered.
6. Seller hereby warrants that he has good and merchantable title and the right to sell the beans hereinabove described and that said beans are free and clear of all liens, mortgages, and encumbrances of any kind of nature whatsoever.
7. This Contract shall be non-assignable by either Buyer or Seller.
8. Service fee of \$.00329 per day per cwt applies.



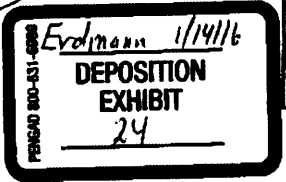
Dated this March day of 1, 2009.

12210-56
6/30/09

Grand Forks Bean Co., Inc. Chuck Nelson
 COMPANY BY
Chuck Nelson
 GROWER

THIS CONTRACT IS NOT PROTECTED BY NORTH DAKOTA STATUTORY WAREHOUSEMAN'S BOND COVERAGE IN THE EVENT OF BUYER'S INSOLVENCY.

Seller



PRICE LATER MARKETING AGREEMENT

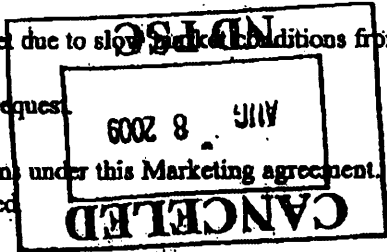
COMPANY Grand Forks Bean Co., Inc.
GROWER Kew Rich Farms
ADDRESS EGF, MN

WHEREAS, pinto beans undergo a quality deterioration in this area and cannot be stored over crop year and

WHEREAS, the parties desire to provide a market beneficial to the grower and to the company which requires a constant supply of pinto beans available to the company throughout the winter months and so the company may conduct an orderly marketing operation and so that the grower may also have choice in the time for marketing his pinto beans:

NOW THEREFORE, it is hereby agreed by and between the grower and the company as follows:

1. The company will accept, to the extent of its plant capacity to handle them, U.S. No. 1 and U.S. No. 2 Pinto Beans, with a moisture content not over 15%, grown and delivered to it by grower. Upon deliver of the pinto beans to the company plant, a receiving ticket will be issued to the grower and the issuing of the ticket will thereupon transfer title of th pinto beans to the company.
2. The beans delivered will be priced before 6/30/08. On those pintos on which to Grower Prices, the price will be the posted market price on the date of pricing.
3. The company reserves the right to withdraw from the market due to slow market conditions from time to time.
4. Checks for the pinto beans will be issued only on growers request.
5. Signing this agreement does not automatically put your beans under this Marketing agreement. It is necessary for you to notify the company at the time each truck is delivered.
6. Seller hereby warrants that he has good and merchantable title and the right to sell the beans hereinabove described and that said beans are free and clear of all liens, mortgages, and encumbrances of any kind of nature whatsoever.
7. This Contract shall be non-assignable by either Buyer or Seller.
8. Service fee of \$.00329 per day per cwt applies.



Dated this 25 day of Oct, 20 07.

860.53 cwt
Pd 9/13/08
Belanel
ck# 2241

Grand Forks Bean Co., Inc. Todd McElroy
COMPANY BY
Kevin Kruger
GROWER

THIS CONTRACT IS NOT PROTECTED BY NORTH DAKOTA STATUTORY WAREHOUSEMAN'S BOND COVERAGE IN THE EVENT OF BUYER'S INSOLVENCY.
kk Seller

