

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Grand Forks Bean Company, Inc.
2120 N Washington
Grand Forks, ND 58203

We have compiled the accompanying balance sheets of Grand Forks Bean Company, Inc. as of March 31, 2014 and 2013. We have also compiled the related statements of operations for the third quarter of the 2013-2014 fiscal year and the 9 months ending March 31, 2014 and 2013, together with the related supplementary information. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without the undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit the statements of cash flows and substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Respectfully submitted,

Erickson and Associates, Ltd.

Erickson and Associates, Ltd.
Fargo, North Dakota

April 2 2014



BB--00254-1439

Grand Forks Bean Company, Inc.
BALANCE SHEET
As of March 31, 2014 & 2013

Report for Period 09	Current YTD Amount	Last YTD Amount
ASSETS		
CURRENT ASSETS:		
Cash on Hand & Bank	\$29,729.91	\$25,179.99
TOTAL CASH & CASH EQUIVALENTS	\$29,729.91	\$25,179.99
Accounts Receivable	\$0.00	\$31,464.00
Other Receivables	20,721.00	0.00
Customer Purchase Advances	2,242.10	2,242.10
Prepaid Expenses	16,567.65	11,716.68
Accrued Income	25,381.75	23,749.25
Accrued Gain, Open Contracts	0.00	316,468.00
Beans In Transit	\$19,475.00	0.00
Bean Inventory	2,055,722.56	2,379,453.72
Less: Sales Advances	0.00	(500,000.00)
Merchandise Inventory	8,084.00	0.00
TOTAL CURRENT ASSETS	\$2,477,923.97	\$2,290,273.74
OTHER ASSETS:		
TOTAL OTHER ASSETS	\$0.00	\$0.00
PROPERTY, PLANT & EQUIPMENT:		
Buildings & Equipment	\$602,644.00	\$590,212.19
Current Year Additions	13,835.95	4,420.34
Less: Accum. Depreciation	(465,898.79)	(433,261.17)
Real Estate-At Cost	29,600.00	29,600.00
NET PROPERTY, PLANT & EQUIPMENT	\$180,181.16	\$190,971.36
TOTAL ASSETS	\$2,658,105.13	\$2,481,245.10

See Accountants Compilation Report

Grand Forks Bean Company, Inc.
BALANCE SHEET
As of March 31, 2014 & 2013

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Report for Period 09	Current YTD Amount	Last YTD Amount
LIABILITIES & EQUITY		
CURRENT LIABILITIES:		
Outstanding Checks	\$940.21	\$6,950.00
Unsettled Bean Payable	0.00	525,647.81
Accounts Payable	56,580.00	17,317.61
Bean & Wage Taxes Payable	4,814.28	5,929.53
Accrued Expenses	13,210.37	19,605.00
Accrued Loss, Open Contracts	4,560.00	0.00
Delayed Pricing Contracts	984,547.76	1,302,036.14
A/R Credit Balances	0.00	19,920.00
Seasonal Loans	1,296,181.42	297,572.75
Term Debt-Current Portion	42,211.06	40,321.62
TOTAL CURRENT LIABILITIES	\$2,403,045.10	\$2,235,300.46
LONG-TERM LIABILITIES:		
Note Payable	\$204,452.91	\$232,502.02
Note Payable-SBA	207,313.22	219,368.64
Less: Current Portion-Notes	(42,211.06)	(40,321.62)
NET LONG-TERM LIABILITIES	\$369,555.07	\$411,549.04
STOCKHOLDERS' EQUITY:		
Retained Earnings	(\$3,216.99)	(\$114,009.07)
Net Profit (Loss)	(111,278.05)	(51,595.33)
TOTAL STOCKHOLDERS' EQUITY	(\$114,495.04)	(\$165,604.40)
TOTAL LIABILITIES & EQUITY	\$2,658,105.13	\$2,481,245.10

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BB--00256

Grand Forks Bean Company, Inc.
Statement of Operations
 For the period ending March 31, 2014 & 2013

Report for Period 9		Y-T-D Margin	Current Period	Year-To-Date	Prior Year-To-Date	Budget
PINTO BEANS	CWT	5.5367	\$29,342.52	\$169,608.54	\$225,458.81	\$0
SPLITS	CWT	0.0000	36,000.00	36,000.00	254.28	0
TOTAL BEANS			\$65,342.52	\$205,608.54	\$225,713.09	\$0
BEAN SEED	CWT	0.0000	\$0.00	\$0.00	(\$423.20)	\$0
TOTAL MERCHANDISE			\$0.00	\$0.00	(\$423.20)	\$0
MERCHANDISING INCOME			\$65,342.52	\$205,608.54	\$225,289.89	\$0
SERVICE & OTHER INCOME:						
LOCAL STORAGE & HANDLING			\$0.00	\$2,945.36	(\$20,698.66)	\$0
CUSTOMER FINANCE CHARGES			0.00	0.00	2,528.00	0
MISCELLANEOUS INCOME			0.00	25.81	0.00	0
TOTAL OTHER INCOME			\$0.00	\$2,971.17	(\$18,170.66)	\$0
GROSS OPERATING PROFIT			\$65,342.52	\$208,579.71	\$207,119.23	\$0
TOTAL EXPENSES			\$84,422.09	\$319,857.76	\$258,714.56	\$0
NET LOCAL PROCEEDS			(\$19,079.57)	(\$111,278.05)	(\$51,595.33)	\$0
ADD: REGIONAL PATRONAGE			\$0.00	\$0.00	\$0.00	\$0
NET PROFIT FOR PERIOD			(\$19,079.57)	(\$111,278.05)	(\$51,595.33)	\$0

See Accountants Compilation Report

Grand Forks Bean Company, Inc.
Statement of Expenses

For the period ending March 31, 2014 & 2013

Report for Period 9	Current Period	Year-To-Date	Prior Year-To-Date	Budget
EXPENSES				
SALARIES & WAGES	\$27,438.00	\$125,511.78	\$78,215.00	\$0
WAGE TAXES	2,099.01	8,601.67	5,983.46	0
EMPLOYEE INSURANCES	8,604.72	22,859.76	20,004.06	0
401K & PROFIT SAVING	596.70	1,790.10	1,940.10	0
UNEMPLOYMENT TAXES	133.75	340.33	221.38	0
WORKMENS COMPENSATION	605.00	1,812.38	1,146.67	0
REPAIRS-PLANT & EQUIP.	2,825.02	31,201.05	15,108.93	0
	0.00	0.00	1,200.00	0
	238.88	5,122.78	2,872.55	0
	1,582.11	4,042.75	3,880.90	0
	4,942.25	15,406.75	12,928.75	0
	3,640.74	7,982.27	6,958.00	0
	3,666.31	9,875.33	9,940.35	0
	883.04	3,139.51	2,636.12	0
	404.09	3,002.31	3,374.71	0
	74.10	1,134.20	3,276.88	0
	0.00	100.00	147.00	0
	0.00	0.00	182.00	0
	100.00	1,200.00	138.43	0
	325.00	693.13	1,168.40	0
	2,400.00	7,200.00	6,975.00	0
	918.21	2,357.22	5,197.40	0
	225.00	450.00	495.00	0
	600.00	600.00	2,300.00	0
	0.00	169.99	1,487.16	0
	10,053.18	27,713.35	19,188.58	0
	5,187.18	15,851.10	17,247.75	0
	6,900.00	20,700.00	34,500.00	0
TOTAL EXPENSES	\$84,422.09	\$319,857.76	\$258,714.56	\$0

See Accountants Compilation Report

Grand Forks Bean Company, Inc.
Statement of Receipts and Sales
 For the period ending March 31, 2014 & 2013

RECEIPTS		Current	Year-To-Date	Prior
Report for Period 9		Period		Year-To-Date
PINTO BEANS	CWT	(669)	51,614	88,623
SPLITS	CWT	2,400	2,400	3,000
Total	CWT	1,731	54,014	91,623

SALES		Current	Year-To-Date	Prior	Budget
Report for Period 9		Period		Year-To-Date	
PINTO BEANS	CWT	10,529	30,634	47,542	0
SPLITS	CWT	0	0	4,000	0

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Grand Forks Bean Company, Inc.
Inventory Statement

Date : 03/31/14

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CURRENT INVENTORY PRICING:

Commodity	Current Inventory (Units)	Price	Amount	Storage Liability (Units)	Price	Amount
PINTO BEANS	57,833.59	\$34.00	\$1,966,342.06	0.00	\$0.00	\$0.00
SPLITS	5,958.70	\$15.00	\$89,380.50	0.00	\$0.00	\$0.00
			<u>\$2,055,722.56</u>			<u>\$0.00</u>

Working Capital Analysis

	March 2014	June 2013	March 2013
Available Working Capital:	<u>\$74,878.87</u>	<u>\$281,137.08</u>	<u>\$54,973.28</u>

Grand Forks Bean Company, Inc.
Market Position

Date : 03/31/14

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	PINTO BEANS	SPLITS
Inventory	57,834	5,959
Terminal Storage		
Cont. Purchase-Cur-TA	10,000	
Cont. Purchase-NC-TA		
SubTotal	67,834	5,959
Less		
Storage Liability		
B/F Liability		
P/L Liability	29,575	
G/B Liability		
Open Storage		
Sold TA-Currenqt	21,000	
Sold TA-New Crop		
SubTotal	50,575	0
Long(Short) Market	17,259	5,959

GRAND FORKS BEAN COMPANY, INC.
Statement Of Changes In Working Capital

	Period Ended <u>3-31-14</u>	Period Ended <u>3-31-13</u>
Working Capital Provided By:		
Net Proceeds (Loss) For The Period	\$ (111,278.05)	\$ (51,595.33)
Net Local Proceeds (Loss)	<u>\$ (111,278.05)</u>	<u>\$ (51,595.33)</u>
Depreciation (Not Requiring Working Capital) Paid in Capital	20,700.00	34,500.00
Working Capital Provided	<u>\$ (90,578.05)</u>	<u>\$ (17,095.33)</u>
Working Capital Applied To:		
Purchase Of Fixed Assets	\$ 13,835.95	\$ 4,420.34
Long Term Debt Payments	30,377.36	28,978.75
Reclassification of Term Debt Current	1,466.83	1,453.42
Shareholder Draws	70,000.00	83,835.25
Working Capital Applied	<u>\$ 115,680.14</u>	<u>\$ 118,687.76</u>
Net Change In Working Capital	\$ (206,258.19)	\$ (135,783.09)
Working Capital Beginning Of Year	<u>281,137.06</u>	<u>190,756.37</u>
<u>Working Capital End Of Period</u>	<u>\$ 74,878.87</u>	<u>\$ 54,973.28</u>

GRAND FORKS BEAN COMPANY, INC.
Statistical Worksheet

	<u>03/31/2014</u>	<u>03/31/2013</u>	<u>03/31/2012</u>	<u>03/31/2011</u>	<u>03/31/2010</u>
<u>Balance Sheet Statistics</u>					
Working Capital	\$ 74,878.87	\$ 54,973.28	\$ 88,756.83	\$ 168,010.49	\$ 358,826.64
Net Long-Term Debt	\$ 369,555.07	\$ 411,549.04	\$ 454,842.08	\$ 498,087.31	\$ 535,272.81
Net Worth	\$ (114,495.04)	\$ (165,604.40)	\$ (128,410.22)	\$ (42,051.35)	\$ 179,906.54
<u>Profitability</u>					
Net Proceeds (Loss)	\$ (111,278.05)	\$ (51,595.33)	\$ (42,451.19)	\$ (170,235.88)	\$ 71,582.99
<u>Volumé</u>					
Gross Sales Dollars	\$ 1,540,288.86	\$ 2,411,902.49	\$ 1,454,954.34	\$ 281,205.68	\$ 2,328,338.76
Pinto Bean Receipts (Cwt.)	51,614	88,623	45,518	63,386	57,992
Margins Per Cwt.	\$ 5.5367	\$ 4.7424	\$ 8.4553	\$ 7.8377	\$ 4.5608
Bagged Seed Sales (Dollars)	\$ -	\$ -	\$ -	\$ -	\$ -
Margins %					
Storage & Handling	\$ 2,945.36	\$ (20,698.66)	\$ 14,939.17	\$ 10,891.42	\$ 8,720.24
<u>Expenses</u>					
Salaries & Benefits	\$ 161,916.02	\$ 107,510.67	\$ 193,498.31	\$ 126,687.40	\$ 131,329.14
Repairs & Petroleum Costs	40,366.58	23,062.38	9,456.77	10,598.84	16,219.70
Interest Expenses	43,564.45	36,436.31	50,060.84	29,047.57	49,264.17
Depreciation	20,700.00	34,500.00	51,600.00	51,750.00	52,500.00
Other Expenses	53,310.71	57,205.20	51,440.76	45,479.35	54,582.26
Total	\$ 319,857.76	\$ 258,714.56	\$ 356,056.68	\$ 263,561.16	\$ 303,895.27
<u>Accounts Receivable Aging</u>					
0 to 30 Days					
31 to 60 Days					
61 to 90 Days					
Over 90 Days		31,464.00	22,585.05	70,450.00	-
Total	\$ -	\$ 31,464.00	\$ 22,585.05	\$ 70,450.00	\$ -

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Grand Forks Bean Company, Inc.
2120 N Washington
Grand Forks, ND 58203

We have compiled the accompanying balance sheets of Grand Forks Bean Company, Inc. as of September 30, 2014 and 2013. We have also compiled the related statements of operations for the first quarter of the 2014-2015 fiscal year and the 3 months ending September 30, 2014 and 2013, together with the related supplementary information. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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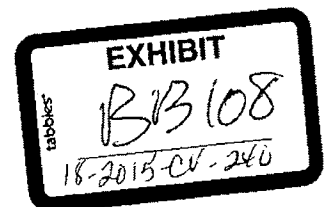
Management has elected to omit the statements of cash flows and substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Respectfully submitted,

Erickson and Associates, Ltd.

Erickson and Associates, Ltd.
Fargo, North Dakota

October 2, 2014



BB--00264

Grand Forks Bean Company, Inc.
BALANCE SHEET

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As of September 30, 2014 & 2013

Report for Period 03	Current YTD Amount	Last YTD Amount
ASSETS		
CURRENT ASSETS:		
Cash on Hand & Bank	\$160,337.42 ✓	\$59,578.16
TOTAL CASH & CASH EQUIVALENTS	<u>\$160,337.42</u>	<u>\$59,578.16</u>
Accounts Receivable	\$51,312.15 ✓	\$12,220.00
Other Receivables	25,760.63 ✓	45,180.00
Customer Purchase Advances	2,242.10 ✓	2,242.10
Prepaid Expenses	0.00	28,236.65
Accrued Income	75,483.56 ✓	25,381.75
Beans in Transit	20,752.50 ✓	10,750.00
Bean Inventory	1,245,348.00 ✓	3,344,008.74
Merchandise Inventory	0.00	8,084.00
TOTAL CURRENT ASSETS	<u>\$1,581,236.36</u>	<u>\$3,535,681.40</u>
OTHER ASSETS:		
TOTAL OTHER ASSETS	<u>\$0.00</u>	<u>\$0.00</u>
PROPERTY, PLANT & EQUIPMENT:		
Buildings & Equipment	\$563,740.81 ✓	\$602,644.00
Current Year Additions	12,810.00	0.00
Less: Accum. Depreciation	(444,961.91)	(451,498.79)
Real Estate At Cost	29,600.00 ✓	29,600.00
NET PROPERTY, PLANT & EQUIPMENT	<u>\$161,188.70</u>	<u>\$180,745.21</u>
TOTAL ASSETS	<u>\$1,742,425.06</u>	<u>\$3,716,426.61</u>

See Accountants Compilation Report

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Grand Forks Bean Company, Inc.
BALANCE SHEET

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As of September 30, 2014 & 2013

Report for Period 03	Current YTD Amount	Last YTD Amount
LIABILITIES & EQUITY		
CURRENT LIABILITIES:		
Outstanding Checks	\$5,934.47 ✓	\$34,957.93
Unsettled Bean Payable	0.00	1,099,440.24
Accounts Payable	5,000.00 ✓	147,325.18
Bean & Wage Taxes Payable	(190.25) ✓	2,713.09
Accrued Expenses	9,511.33	6,639.34
Accrued Loss, Open Contracts	172,113.50 ✓	6,905.35
Delayed Pricing Contracts	718,290.20 ✓	1,203,117.08
Advances On Bean Contracts	140,230.00	0.00
Seasonal Loans	946,181.42 ✓	827,412.77
Term Debt-Current Portion	13,075.23 ✓	41,227.38
TOTAL CURRENT LIABILITIES	\$2,010,205.90	\$3,369,738.36
LONG-TERM LIABILITIES:		
Note Payable	\$0.00	\$218,714.31
Note Payable-SBA	201,036.29	213,422.51
Less: Current Portion-Notes	(13,075.23) ✓	(41,227.38)
NET LONG-TERM LIABILITIES	\$187,961.06 ✓	\$390,909.44
STOCKHOLDERS' EQUITY:		
Paid In Capital	\$174,609.69	\$0.00
Retained Earnings	(254,123.21)	43,783.01
Net Profit (Loss)	(376,228.38)	(88,004.20)
TOTAL STOCKHOLDERS' EQUITY	(\$455,741.90) ✓	(\$44,221.19)
TOTAL LIABILITIES & EQUITY	\$1,742,425.06	\$3,716,428.61

See Accountants Compilation Report

BB--00266

Grand Forks Bean Company, Inc.
Statement of Operations

For the period ending September 30, 2014 & 2013

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Report for Period 3		Y-T-D Margin	Current Period	Year-To-Date	Prior Year-To-Date	Budget
PINTO BEANS	CWT	(-99.6653)	(\$300,540.61)	(\$300,540.61)	\$326.15	\$0
SPLITS	CWT	5.5312	3,457.00	3,457.00	0.00	0
TOTAL BEANS			(\$297,083.61)	(\$297,083.61)	\$326.15	\$0
TOTAL MERCHANDISE			\$0.00	\$0.00	\$0.00	\$0
MERCHANDISING INCOME			(\$297,083.61)	(\$297,083.61)	\$326.15	\$0
SERVICE & OTHER INCOME:						
LOCAL STORAGE & HANDLING			\$0.00	\$0.00	\$2,945.36	\$0
TOTAL OTHER INCOME			\$0.00	\$0.00	\$2,945.36	\$0
GROSS OPERATING PROFIT			(\$297,083.61)	(\$297,083.61)	\$3,271.51	\$0
TOTAL EXPENSES			\$79,144.77	\$79,144.77	\$91,275.71	\$0
NET LOCAL PROCEEDS			(\$376,228.38)	(\$376,228.38)	(\$88,004.20)	\$0
ADD: REGIONAL PATRONAGE			\$0.00	\$0.00	\$0.00	\$0
NET PROFIT FOR PERIOD			(\$376,228.38)	(\$376,228.38)	(\$88,004.20)	\$0

See Accountants Compilation Report

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Grand Forks Bean Company, Inc.
Statement of Expenses

For the period ending September 30, 2014 & 2013

Report for Period 3	Current Period	Year-To-Date	Prior Year-To-Date	Budget
EXPENSES				
SALARIES & WAGES	\$26,130.00	\$26,130.00	\$26,124.00	\$0
WAGE TAXES	1,998.95	1,998.95	1,998.49	0
EMPLOYEE INSURANCES	8,523.28	8,523.28	7,163.82	0
401K & PROFIT SAVING	269.50	269.50	1,250.00	0
UNEMPLOYMENT TAXES	248.24	248.24	58.38	0
WORKMENS COMPENSATION	500.00	500.00	604.38	0
REPAIRS-PLANT & EQUIP.	3,187.32	3,187.32	12,123.02	0
REPAIRS & LIC-MOBILE	105.40	105.40	3,988.08	0
GAS & FUEL	875.99	875.99	1,572.39	0
INSURANCE, BONDS, ETC.	5,142.00	5,142.00	4,942.25	0
PROPERTY TAXES	2,600.00	2,600.00	2,641.53	0
UTILITIES	1,124.06	1,124.06	2,021.41	0
TELEPHONE, MARKETS	892.92	892.92	1,353.21	0
PLANT SUPPLIES	1,024.32	1,024.32	1,120.94	0
OFFICE SUPPLIES	551.84	551.84	402.87	0
BANK CHARGES	9.00	9.00	0.00	0
ADVERTISING & GIFTS	0.00	0.00	1,100.00	0
DUES & SUBSCRIPTIONS	325.00	325.00	0.00	0
PROFESSIONAL FEES	2,450.00	2,450.00	2,350.00	0
LEGAL & OTHER FEES	807.66	807.66	824.94	0
PEST CONTROL	90.00	90.00	135.00	0
MISC. EXPENSES	2,487.61	2,487.61	189.99	0
SEASONAL INTEREST EXPENSE	10,497.05	10,497.05	7,674.32	0
TERM INTEREST EXPENSE	3,484.63	3,484.63	5,355.69	0
DEPRECIATION	6,020.00	6,020.00	6,300.00	0
TOTAL EXPENSES	\$79,144.77	\$79,144.77	\$91,275.71	\$0

See Accountants Compilation Report

Grand Forks Bean Company, Inc.
Statement of Receipts and Sales
 For the period ending September 30, 2014 & 2013

RECEIPTS		Current	Year-To-Date	Prior	
Report for Period 3		Period		Year-To-Date	
PINTO BEANS	CWT	0	0	49,918	
SPLITS	CWT	231	231	0	
Total	CWT	231	231	49,918	

SALES		Current	Year-To-Date	Prior	Budget
Report for Period 3		Period		Year-To-Date	
PINTO BEANS	CWT	3,016	3,016	175	0
SPLITS	CWT	625	625	0	0

See Accountants Compilation Report

Grand Forks Bean Company, Inc.
Inventory Statement

Date : 09/30/14

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CURRENT INVENTORY PRICING:

Commodity	Current Inventory (Units)	Price	Amount	Storage Liability (Units)	Price	Amount
PINTO BEANS	51,869.50	\$24.00	\$1,245,348.00	0.00	\$0.00	\$0.00
			<u>\$1,245,348.00</u>			<u>\$0.00</u>

Working Capital Analysis

	September 2014	June 2014	September 2013
Available Working Capital:	<u>(\$428,969.54)</u>	<u>(\$59,097.86)</u>	<u>\$165,943.04</u>

Grand Forks Bean Company, Inc.
Market Position

Date : 09/30/14

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	PINTO BEANS
Inventory	51,890
Terminal Storage	
In Transit - PL	
Cont. Purchase-Cur-TA	20,000
Cont. Purchase-NC-TA	
SubTotal	71,890
Less	
Storage Liability	
B/F Liability	
P/L Liability	31,176
G/B Liability	
Open Storage	
Sold TA-Current	13,790
Sold TA-New Crop	
SubTotal	44,966
Long(Short) Market	26,924

BB--00271

GRAND FORKS BEAN COMPANY, INC.
Statement Of Changes In Working Capital

	<u>Period Ended 9-30-14</u>	<u>Period Ended 9-30-13</u>
Working Capital Provided By:		
Net Proceeds (Loss) For The Period	\$ (376,228.38)	\$ (88,004.20)
Net Local Proceeds (Loss)	<u>\$ (376,228.38)</u>	<u>\$ (88,004.20)</u>
Depreciation (Not Requiring Working Capital)	6,020.00	6,300.00
Basis in Fixed Assets Disposed	15,101.18	
Paid In Capital	<u>174,609.69</u>	
Working Capital Provided	<u>\$ (180,497.51)</u>	<u>\$ (81,704.20)</u>
Working Capital Applied To:		
Purchase Of Fixed Assets	\$ 12,810.00	\$ -
Long Term Debt Payments	200,200.69	10,006.67
Reclassification of Term Debt Current	(29,686.62)	483.15
Shareholder Draws	<u>6,000.00</u>	<u>23,000.00</u>
Working Capital Applied	<u>\$ 189,374.17</u>	<u>\$ 33,489.82</u>
Net Change In Working Capital	\$ (369,871.68)	\$ (115,194.02)
Working Capital Beginning Of Year	<u>(59,097.86)</u>	<u>281,137.06</u>
Working Capital End Of Period	<u>\$ (428,969.54)</u>	<u>\$ 165,943.04</u>

GRAND FORKS BEAN COMPANY, INC.
Statistical Worksheet

	<u>09/30/2014</u>	<u>09/30/2013</u>	<u>09/30/2012</u>	<u>09/30/2011</u>	<u>09/30/2010</u>
<u>Balance Sheet Statistics</u>					
Working Capital	\$ (428,969.54)	\$ 165,943.04	\$ (9,810.70)	\$ 149,456.81	\$ 204,251.05
Net Long-Term Debt:	\$ 187,961.06	\$ 390,909.44	\$ 431,974.54	\$ 480,888.56	\$ 516,455.28
Net Worth	\$ (456,741.90)	\$ (44,221.19)	\$ (232,104.22)	\$ (77,777.73)	\$ 10,321.22
<u>Profitability</u>					
Net Proceeds (Loss)	\$ (376,228.38)	\$ (88,004.20)	\$ (189,930.40)	\$ 6,989.87	\$ (125,133.08)
<u>Volume</u>					
Gross Sales Dollars	\$ (76,430.85)	\$ 75,290.61	\$ 1,147,048.81	\$ 3,014.00	\$ 5,324.00
Pinto Bean Receipts (Cwt.)	0	49,918	86,726	32,383	46,459
Margins Per Cwt.	\$ (99,6653)	\$ 1,8637	\$ (2,6890)	\$ 1,526,2525	\$ (54,1940)
Storage & Handling	\$ -	\$ 2,945.36	\$ (18,538.73)	\$ (11,128.44)	\$ -
<u>Expenses</u>					
Salaries & Benefits	\$ 37,669.97	\$ 37,199.07	\$ 44,812.28	\$ 47,893.97	\$ 62,594.37
Repairs & Petroleum Costs	3,968.71	17,683.49	5,801.81	2,788.48	2,265.69
Interest Expenses	13,981.68	13,031.01	15,137.20	18,704.16	7,577.71
Depreciation	6,020.00	6,800.00	11,370.00	17,200.00	17,250.00
Other Expenses	17,504.41	17,062.14	17,160.11	14,290.27	17,952.44
Total	\$ 79,144.77	\$ 91,276.71	\$ 94,281.40	\$ 100,876.88	\$ 107,640.21
<u>Accounts Receivable Aging</u>					
0 to 30 Days:					\$ 3,190.00
31 to 60 Days:					1,100.00
61 to 90 Days:					6,080.00
Over 90 Days:	51,312.15	12,220.00	72,904.00	64,430.00	70,970.00
Total	\$ 51,312.15	\$ 12,220.00	\$ 72,904.00	\$ 64,430.00	\$ 81,340.00

ANNUAL FINANCIAL REPORT

GRAND FORKS BEAN COMPANY, INC.

GRAND FORKS, NORTH DAKOTA

FOR PERIOD: JULY 1, 2012 TO JUNE 30, 2013

AND

FOR PERIOD: JULY 1, 2011 TO JUNE 30, 2012

Date of Incorporation - July 7, 2005

Authorized Capital Stock - \$50,000

TODD MCGURK, PLANT MANAGER & OWNER

Dan Mitzel, Assistant
Randy Miller, Assistant

OFFICERS & DIRECTORS

Todd McGurk, President/Secretary



Erickson and Associates, Ltd.
3332 4th Avenue SW • Suite 2A
Fargo, ND 58103-2201

Telephone: (701) 232-8400

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INDEPENDENT ACCOUNTANT'S REPORT

Board of Directors
Grand Forks Bean Co., Inc.
2120 N. Washington St.
Grand Forks, ND 58203

We have reviewed the accompanying balance sheets of Grand Forks Bean Company, Inc. as of June 30, 2013 and 2012 and the related statements of income, stockholders' equity and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Erickson and Associates, Ltd.

Erickson and Associates, Ltd
Fargo, North Dakota

July 31, 2013

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GRAND FORKS BEAN COMPANY, INC.

GRAND FORKS, NORTH DAKOTA

BALANCE SHEET

FOR YEARS ENDING JUNE 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents:		
Cash on Hand and in Bank	\$ 227,776.84	\$ 52,373.55
Receivables:		
Accounts Receivable	\$ 22,660.00	\$ 152,685.00
Other Trade Receivables	45,180.00	
Payroll Advances	2,242.10	2,242.10
Accrued Income	22,436.39	52,265.39
Accrued Gain, Open Contracts		27,500.00
Edible Beans in Transit - Net of Advances	480,599.00	166,500.00
Total Receivables	\$ 573,117.49	\$ 401,192.49
Inventories:		
Edible Bean Inventory	\$ 1,527,485.70	\$ 1,675,835.40
Merchandise Inventory	8,084.00	
Total Inventory	\$ 1,535,569.70	\$ 1,675,835.40
Prepaid Items	6,846.90	2,072.08
Total Current Assets	\$ 2,343,310.93	\$ 2,131,473.52
Property, Plant, and Equipment		
Plant and Equipment - at cost	\$ 602,644.00	\$ 591,770.46
Less: Accumulated Depreciation	(445,198.79)	(400,319.44)
Real Estate - at cost	29,600.00	29,600.00
Net Property, Plant, and Equipment	\$ 187,045.21	\$ 221,051.02
 TOTAL ASSETS	 \$ 2,530,356.14	 \$ 2,352,524.54

(See accompanying notes and accountant's report)

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>2013</u>	<u>2012</u>
Current Liabilities:		
Outstanding Checks	\$ 191,195.32	\$ 51,545.00
Bean Related Payables:		
Priced Beans Payable	\$ 398,845.81	\$ 41,906.00
Delayed Pricing Liability	335,187.57	908,629.27
Accrued Liability, Open Contracts	<u>84,420.00</u>	<u> </u>
Total Bean Related Payables	\$ 818,453.38	\$ 950,535.27
Miscellaneous Payables:		
Accounts Payable	\$ 45,382.02	\$ 32,678.32
Accrued Expenses	<u>12,986.15</u>	<u>17,090.36</u>
Total Miscellaneous Payables	\$ 58,368.17	\$ 49,768.68
Seasonal Loans & Current Notes:		
Seasonal Loan - Bremer Bank	\$ 953,412.77	\$ 850,000.00
Long-Term Debt, Current Portion	<u>40,744.23</u>	<u>38,868.20</u>
Total Seasonal Loans & Current Notes	\$ 994,157.00	\$ 888,868.20
Total Current Liabilities	\$ 2,062,173.87	\$ 1,940,717.15
Long Term Liabilities:		
Notes Payable	\$ 442,143.49	\$ 480,849.41
Less: Current Portion	<u>(40,744.23)</u>	<u>(38,868.20)</u>
Total Long Term Liabilities	\$ 401,399.26	\$ 441,981.21
Stockholder's Equity:		
Capital Stock Common (Authorized 5,000 Shares @ \$10.00 par value, 0 shares Issued & Outstanding issued and outstanding	<u>66,783.01</u>	<u>(30,173.82)</u>
Retained Earnings	<u> </u>	<u> </u>
Total Stockholder's Equity	\$ 66,783.01	\$ (30,173.82)
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 2,530,356.14</u>	<u>\$ 2,352,524.54</u>

(See accompanying notes and accountant's report)

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

FOR PERIOD: JULY 1, 2012 TO JUNE 30, 2013

	Retained <u>Earnings</u>
Balance as of 7-1-2012	\$ (30,173.82)
Stockholders' Distributions	(161,835.25)
Current Year Profit	<u>258,792.08</u>
BALANCE AS OF 6-30-2013	<u>\$ 66,783.01</u>

FOR PERIOD: July 1, 2011 to June 30, 2012

	Retained <u>Earnings</u>
Balance as of 7-1-2011	\$ (84,767.60)
Stockholders' Distributions	(1,191.43)
Current Year Profit	<u>55,785.21</u>
BALANCE AS OF 6-30-2012	<u>\$ (30,173.82)</u>

(See accompanying notes and accountant's report)

STATEMENT OF INCOME
FOR YEARS ENDING JUNE 30,

	<u>2013</u>	<u>2012</u>
GROSS SALES	\$ 3,917,815.86	\$ 2,198,813.07
Deduct Cost of Sales:		
Beginning Net Inventory	\$ 1,675,835.40	\$ 1,157,254.92
Purchases During Year	3,128,318.65	2,227,613.68
Less: Ending Net Inventory	<u>(1,535,569.70)</u>	<u>(1,675,835.40)</u>
Total Cost of Sales	<u>\$ 3,268,584.35</u>	<u>\$ 1,709,033.20</u>
GROSS PROCEEDS FROM TRADING	\$ 649,231.51	\$ 489,779.87
Add: Storage & Handling, Local	\$ (16,779.82)	\$ 49,758.02
Customer Finance Charges	2,528.00	1,032.29
Miscellaneous Income	<u>400.00</u>	<u></u>
Total Service & Other Income	<u>\$ (13,851.82)</u>	<u>\$ 50,790.31</u>
GROSS INCOME	\$ 635,379.69	\$ 540,570.18
Less: General Expenses	\$ 281,003.87	\$ 339,128.14
Bad Debts Expense		7,565.05
Interest	49,146.12	69,867.77
Depreciation	<u>46,437.62</u>	<u>68,224.01</u>
Total Expenses	<u>\$ 376,587.61</u>	<u>\$ 484,784.97</u>
NET INCOME/(LOSS)	<u><u>\$ 258,792.08</u></u>	<u><u>\$ 55,785.21</u></u>

(See accompanying notes and accountant's report)

STATEMENT OF CASH FLOWS
FOR YEARS ENDING JUNE 30,

	<u>2013</u>	<u>2012</u>
Cash Provided by (Used for) Operations:		
Net Income for the Year	\$ 258,792.08	\$ 55,785.21
Add (Deduct) Non-Cash Items:		
Depreciation	46,437.62	68,224.01
Changes in Certain Elements of Working Capital:		
Receivables	(171,925.00)	346,974.03
Inventories	140,265.70	(518,580.48)
Prepays	(4,774.82)	10,478.89
Payables	<u>(123,482.40)</u>	<u>70,426.84</u>
Cash Provided by (Used for) Operations	\$ 145,313.18	\$ 33,308.50
Cash Provided by (Used for) Investing Activities:		
Purchase of Fixed Assets	<u>\$ (12,431.81)</u>	<u>\$ (18,420.99)</u>
Cash Provided by (Used for) Investing Activities	\$ (12,431.81)	\$ (18,420.99)
Cash Provided by (Used for) Financing Activities:		
Outstanding Checks	\$ 139,650.32	\$ 40,582.64
Acquisition (Reduction) of Seasonal Loan	103,412.77	10,000.00
Payments on Long-Term Notes Payable	(38,705.92)	(46,149.78)
Stockholders' Distributions	<u>(161,835.25)</u>	<u>(1,191.43)</u>
Cash Provided by (Used for) Financing Activities	<u>\$ 42,521.92</u>	<u>\$ 3,241.43</u>
Increase (Decrease) in Cash and Cash Equivalents	\$ 175,403.29	\$ 18,128.94
Cash and Cash Equivalents, JULY 1	<u>52,373.55</u>	<u>34,244.61</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 227,776.84</u></u>	<u><u>\$ 52,373.55</u></u>
Interest Paid	\$ 52,366.49	\$ 68,095.80

(See accompanying notes and accountant's report)

GRAND FORKS BEAN COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies

Nature of Operations: The Company is an S-Corporation, operating in the edible bean and custom cleaning business, which includes the merchandising of dry edible beans. The Company and its stockholders elected to be taxed as a Sub-Chapter S Corporation for federal and state income tax purposes. Under this election, the company is not subject to federal or state income taxes. Instead shareholders are taxed on their share of the corporate taxable earnings.

General Method of Accounting: For financial statement purposes, the Company is utilizing the accrual basis of reporting.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Fair Value Measurements: The Company determines the fair value of certain assets and liabilities in accordance with the provisions of FASB ASC 820 "Fair Value Measurements and Disclosures". Fair value is defined as the price that would be received to sell an asset, or the price that would be paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The standard establishes a valuation hierarchy, which prioritizes the valuation inputs into three broad levels as follows:

Level 1: inputs consist of quoted prices in active markets for identical assets and liabilities.

Level 2: inputs consist of quoted prices for similar assets and liabilities in active markets, or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration.

Level 3: inputs consist of unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value.

Subsequent Events: Management has evaluated subsequent events through July 31, 2013, the date the financial statements were available to be issued.

Concentration Risk:

1. The company primarily transacts its' business with one financial institution. Deposits in this financial institution periodically exceed FDIC's insured limits with this financial institution. Deposits in this financial institution totaled \$38,542.59 as of June 30, 2013.
2. The company grants credit to customers', substantially all of who are local residents in the trade area, who are primarily involved in agribusiness. Most of the credit granted is unsecured with no collateral policy.

Note 2 - Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of cash on hand and deposits in the bank.

Note 3 - Receivables

1. Accounts Receivable - are from sales of bean seed and services to its agricultural customers. The Company evaluates the collectibility of all receivables at year-end. Amounts considered uncollectible are written off using the direct write-off method. Aging of accounts receivables are as follows:

	<u>6/30/2013</u>	<u>6/30/2012</u>
30 Days & Under	\$ 8,900.00	\$ 121,165.00
31 Days to 60 Days		16,500.00
61 Days to 1 Year		
1 Year & Over	<u>13,760.00</u>	<u>15,020.00</u>
Total Accounts Receivable	<u>\$ 22,660.00</u>	<u>\$ 152,685.00</u>

2. Other Trade Receivables - is a receivable from the company's insurance provider in 2013 for the balance of stock liability coverage from fire damage in March of 2013.
3. Payroll Advances - Advances are given to employees which will be deducted from future payroll.
4. Accrued Income - represents accrued service charges on edible beans on open delayed pricing contracts.
5. Edible Beans in Transit - is a receivable for inventory that has been shipped as of the balance sheet date and payment was received in the subsequent period. The transit grain is priced according to confirmation of sales or actual returns and net of any applicable advances.

Note 4 - Inventories

1. Edible bean inventories and all corresponding bean liabilities have been designated as a hedged item in a fair value hedge. These bean inventories and their corresponding liabilities are valued at market value. Edible bean inventories are shown net of any advances given on inventory sold on sales contracts not yet delivered.
2. Merchandise inventories consist of bean seed and are valued at lower of cost or market.

Note 5 - Prepaid Items

Prepaid items are expenses, merchandise order, or credits for returns. These items are either expenses paid in advance or credits that have not yet been received. The major categories of prepaid items are as follows:

	<u>6/30/2013</u>	<u>6/30/2012</u>
Prepaid General Expenses	<u>\$ 6,846.90</u>	<u>\$ 2,072.08</u>
Total Prepaid Items	<u>\$ 6,846.90</u>	<u>\$ 2,072.08</u>

Note 6 - Property, Equipment and Depreciation

Property and equipment are carried at cost. Depreciation is calculated using various methods over their estimated useful lives. Maintenance and repair costs are expensed as incurred. Expenditures, which materially increase values or extend the useful life of existing fixed assets, are capitalized.

Estimated useful lives of assets for depreciation are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Useful Life</u>
Buildings	\$ 245,100.00	\$ 123,150.00	5 to 40 Years
Equipment	302,131.81	290,655.13	5 to 20 Years
Mobile Equipment	55,412.19	31,393.66	5 to 10 Years
Total	<u>\$ 602,644.00</u>	<u>\$ 445,198.79</u>	

Impairment of Long-Lived Assets

Management has reviewed the fixed assets for impairment. In regards to the carrying value of its fixed assets, management feels that by using accelerated useful lives for depreciation, the carrying value of its fixed assets reflects market value.

Note 7 - Bean Related Payables

1. Priced Beans Payable - is a payable for beans on a priced assembly sheet. The customer has either not yet requested payment or signed a deferred payment contract for payment at a later date.
2. Delayed Pricing Liability - represents a payable for beans on a delayed pricing contract or on an assembly sheet with a delayed pricing designation. The beans are not priced in any form, but title to the beans has passed to the company.
3. Derivative Contract Accruals - the company utilizes forward purchase and sales contracts to hedge against price level change risk in bean inventories and bean liabilities. These contracts are considered a fair value hedge. Gains and losses on these designated fair value hedge derivatives are included within the cost of goods sold of these bean items. The open contractual obligations are compared to market value and any corresponding accrued gain or loss are booked to the income statement and included in the cost of goods sold. Details of derivative contracts are as follows:

	<u>6/30/2013</u>	<u>6/30/2012</u>
Accrued Equity in Bean Purchase Contracts	\$ 95,080.00	\$ -
Accrued Equity in Bean Sales Contracts	(179,500.00)	27,500.00
Net Equity in Open Contracts	<u>\$ (84,420.00)</u>	<u>\$ 27,500.00</u>

Note 8 - Miscellaneous Payables

1. Accounts Payables - are payables to vendor of the company in the normal course of business.
2. Accrued Expenses - are expenses incurred in the business year but not paid until the subsequent period.

Note 9 - Seasonal Loans and Current Notes

The company has the following short-term line of credit with the following entity:

	<u>Interest Rate</u>	<u>Amount Available</u>	<u>Balance due as of 6-30-2013</u>
Bremer Bank, N.A. (Revolving Line of Credit)	(Variable)		
Operating Loan #45000997 Subject to Renewal 10-25-12	4.25%	<u>\$ 1,000,000.00</u>	<u>\$ 953,412.77</u>

<u>Loan Covenants</u>	<u>Working Capital</u>	<u>Local Net Worth</u>
Bremer Bank	\$ 150,000	\$ 50,000
6-30-13 Balance Sheet	\$ 281,137	\$ 66,783

Note 10 - Long-Term Debt - Notes Payable

<u>Payee</u>	<u>Collateral</u>	<u>Maturity</u>	<u>Current Interest Rate</u>	<u>Balance Due</u>	<u>Portion Due within One Year</u>
Alerus Financial Note #704121003 (Intermediate Term Loan Dated 9-28-2005) (Original Loan \$400,000)	The Company has executed security agreements on the note whereby virtually all inventories, receivables, and fixed assets are assigned as collateral thereon.				
Quarterly payments of \$11,087.12 starting Nov. 1 st , 2005 (Fixed)		8-1-2020	4.44%	\$ 225,727.80	\$ 28,524.53
Small Business Administration Note #910233-40-02 12-29-2005 (Original Loan \$289,000)	The Company has executed security agreements on the note whereby virtually all inventories, receivables, and fixed assets are assigned as collateral thereon.				
Monthly payments of \$2,215.72 starting March 1 st , 2006 (Fixed)		2-1-2026	6.644%	<u>216,415.69</u>	<u>12,219.70</u>
		Total		<u>\$ 442,143.49</u>	<u>\$ 40,744.23</u>

Amount

Minimum Term Payments:

6/30/2014	\$ 40,744.23
6/30/2015	42,711.75
6/30/2016	44,775.16
6/30/2017	46,939.29
6/30/2018	49,209.02
Thereafter	<u>217,764.04</u>
Total	<u>\$ 442,143.49</u>

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Note 11 - Income Taxes

The company is organized as an S Corporation. The company and its shareholders elected to be taxed as a Sub Chapter S Corporation for federal and state income tax purposes. Under this election, the company is not subject to federal or state income taxes. Instead shareholders are taxed on their share of the corporate taxable earnings.

Note 12 - Employee Retirement Plan

The company established a retirement plan under section 401(K) of the Internal Revenue Code. The plan covers eligible employees who have completed one year of service with a minimum of 1,000 hours worked during that same period. The company contributes a minimum of 3% of eligible employee's compensation. The expense for year-end June 30, 2013 is \$2,536.80 and for June 30, 2012 is \$2,377.20.

Note 13 - Advertising Costs

	<u>2013</u>	<u>2012</u>
Costs for producing and distributing advertising are expensed as incurred. Advertising expenses totaled:	\$4,338.43	\$1,561.22

Note 14 - Fair Value Measurements

The following table presents assets and liabilities that are carried at fair value, measured on a recurring basis. The classification of an asset or liability within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

Fair Value Measurements at June 30, 2013		
Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets:</u>		
Edible Bean Inventories	\$ 1,527,485.70	
<u>Liabilities:</u>		
Delayed Pricing Liability	\$ 335,187.57	
Open Contracts Accrual	\$ 84,420.00	

Fair Value Measurements at June 30, 2012		
Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets:</u>		
Open Contracts Accrual	\$ 27,500.00	
Edible Bean Inventories	\$ 1,675,835.40	
<u>Liabilities:</u>		
Delayed Pricing Liability	\$ 908,629.27	

Note 15 - Market Position

	(Cwt.) Pinto <u>Beans</u>	(Cwt.) Pinto <u>Splits</u>
Inventory	36,853	3,559
Purchase Contracts - N/B TA	2,000	
Purchase Contracts - N/C TA	24,000	
TOTALS	<u>62,853</u>	<u>3,559</u>
Delayed Pricing Liability	8,690	
Sales Contracts - N/B TA	4,000	
Sales Contracts - N/C TA	30,000	
TOTALS	<u>42,690</u>	<u>-</u>
Long (Short) with Market	<u><u>20,163</u></u>	<u><u>3,559</u></u>

The Company is contingently liable for market fluctuation on the long or short bean position that is reflected on its market position.

Note 16 - Contingent Liabilities and Commitments

The Company is contingently liable for quality and grade of edible beans it has on warehouse receipts, open assembly sheets, and price later contracts.

Board of Directors
Grand Forks Bean Company, Inc.
2120 N. Washington St.
Grand Forks, ND 58203

INDEPENDENT ACCOUNTANT'S REPORT ON SUPPLEMENTARY INFORMATION

Our review has been made primarily for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The supplementary financial information contained on pages 13 through 28 has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements. Based on our review, we are not aware of any material modifications that should be made to the accompanying supplementary financial information in order for it to be in conformity with generally accepted accounting principles.

Erickson and Associates, Ltd.

Erickson and Associates, Ltd.
Fargo, North Dakota

July 31, 2013

STATEMENT OF GENERAL EXPENSES

FOR YEARS ENDING JUNE 30,

	<u>2013</u>	<u>2012</u>
Salaries & Wages	\$ 118,352.20	\$ 211,144.06
Contract Labor	533.10	0.00
Payroll Taxes	9,053.96	16,152.55
Employee Insurances	27,566.58	26,884.68
Retirement Plan	2,536.80	2,377.20
Unemployment Taxes	415.22	358.44
Workmen's Compensation	1,528.90	1,739.70
	<hr/>	<hr/>
Employee Related Expenses	\$ 159,986.76	\$ 258,656.63
Repairs - Plant & Equipment	18,478.48	3,679.59
Repairs - Rolling Stock	4,220.71	3,624.89
Grounds Maintenance	9,323.95	168.83
Gas & Fuel Expense	5,826.92	6,311.25
Insurance, License, & Bonds	16,945.00	15,135.00
Property Taxes	8,671.50	8,153.29
Utilities	14,244.93	11,955.67
Telephone & Market Services	3,545.74	3,907.53
Plant Supplies	5,988.95	989.40
Office Supplies	5,721.59	1,121.63
Bank Charges	205.00	1,103.90
Advertising & Customer Gifts	4,338.43	1,561.22
Dues & Subscriptions	1,675.40	728.26
Professional Fees	9,300.00	8,900.00
Legal & Other Fees	5,974.92	7,731.02
Pest Control	630.00	490.00
Mileage, Meetings, & Travel	3,000.00	3,248.04
Cash Short	60.00	
Miscellaneous Expense	2,865.59	1,661.99
	<hr/>	<hr/>
TOTAL GENERAL EXPENSES	\$ 281,003.87	\$ 339,128.14
	<hr/>	<hr/>

(See accountant's report on supplementary information)

COMMODITIES HANDLED

FOR YEAR ENDING JUNE 30,

Commodity	2013 New Receipts <u>Net Cwt.</u>	2012 New Receipts <u>Net Cwt.</u>	2013 Sales <u>Net Cwt.</u>	2012 Sales <u>Net Cwt.</u>
	Pinto Beans	90,164	45,147	87,265
TOTAL HANDLED	90,164	45,147	87,265	45,734
Splits - Cwt.			4,000	441

Merchandise Sales - Dollars:

Edible Bean Seed	\$ 55,548.00	\$ 167,545.00
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(See accountant's report on supplementary information)

WEIGHT STATEMENT

JUNE 30, 2012

<u>Commodity</u>	<u>Book</u> <u>Inventory</u>	<u>Measured</u> <u>Or Actual</u> <u>Inventory</u>	<u>Potential</u> <u>Overage</u> <u>(Shortage)</u>	<u>Overages</u> <u>(Shortages)</u> <u>Recognized</u>	<u>Overages</u> <u>(Shortages)</u> <u>Not</u> <u>Recognized</u>
Pinto Beans - CWT					
Pinto Splits - CWT					

Note: No Pinto Bean
Measurement Taken,
Book Inventory Used

NOTE: INVENTORY ADJUSTMENTS MADE DURING THE YEAR

Pinto Splits	09/30/12	3,000.00	Cwt. Overage Per Measure Up
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(See accountant's report on supplementary information)

STATEMENT OF GROSS MARGINS ON SALES
FOR THE YEAR ENDING JUNE 30, 2013 & 2012

For The Year Ended June 30, 2013

<u>Commodity</u>	<u>Cost of Sales</u>	<u>Sales</u>	<u>Gross Margins</u>	<u>Per Unit Margin</u>
Pinto Beans	\$ 3,159,058.15	\$ 3,801,426.58	\$ 642,368.43	\$ 7.3611 Cwt.
Splits	60,587.00	60,841.28	254.28	0.0636 Cwt.
Total Beans	<u>\$ 3,219,645.15</u>	<u>\$ 3,862,267.86</u>	<u>\$ 642,622.71</u>	<u>16.64%</u>
<u>Merchandise:</u>				
Bean Seed	\$ 48,939.20	\$ 55,548.00	\$ 6,608.80	11.90%
GRAND TOTALS	<u>\$ 3,268,584.35</u>	<u>\$ 3,917,815.86</u>	<u>\$ 649,231.51</u>	<u>16.57%</u>

For The Year Ended June 30, 2012

<u>Commodity</u>	<u>Cost of Sales</u>	<u>Sales</u>	<u>Gross Margins</u>	<u>Per Unit Margin</u>
Pinto Beans	\$ 1,636,524.97	\$ 2,019,694.27	\$ 383,169.30	\$ 8.3782 Cwt.
Splits	(91,967.50)	11,573.80	103,541.30	234.7875 Cwt.
Total Beans	<u>\$ 1,544,557.47</u>	<u>\$ 2,031,268.07</u>	<u>\$ 486,710.60</u>	<u>23.96%</u>
<u>Merchandise:</u>				
Bean Seed	\$ 164,475.73	\$ 167,545.00	\$ 3,069.27	1.83%
GRAND TOTALS	<u>\$ 1,709,033.20</u>	<u>\$ 2,198,813.07</u>	<u>\$ 489,779.87</u>	<u>22.27%</u>

(See accountant's report on supplementary information)

STATEMENT OF CHANGES IN WORKING CAPITAL
FOR YEARS ENDING JUNE 30,

	<u>2013</u>	<u>2012</u>
Working Capital Provided by:		
Net Income For The Year	\$ 258,792.08	\$ 55,785.21
Adjustment To Income:		
Depreciation, Not Requiring Working Capital	<u>46,437.62</u>	<u>68,224.01</u>
Total Working Capital Provided	\$ 305,229.70	\$ 124,009.22
Working Capital Applied To:		
Purchase of Fixed Assets	\$ 12,431.81	\$ 18,420.99
Payments on Long-Term Notes - Alerus Financial	27,130.15	35,184.01
Payments on Long-Term Notes - SBA	11,575.77	10,965.77
Reclassification of Long-Term Debt - Current	1,876.03	2,198.37
Stockholders' Distributions	<u>161,835.25</u>	<u>1,191.43</u>
Total Working Capital Applied	\$ <u>214,849.01</u>	\$ <u>67,960.57</u>
Net Change in Working Capital	\$ 90,380.69	\$ 56,048.65
Working Capital as of JULY 1,	<u>190,756.37</u>	<u>134,707.72</u>
WORKING CAPITAL AS OF JUNE 30,	<u>\$ 281,137.06</u>	<u>\$ 190,756.37</u>

(See accountant's report on supplementary information)

CASH ON HAND AND IN BANK

JUNE 30, 2013

Cash on Hand, as per books, 6-30-2013	\$ 189,234.25
Verified by Physical Count, 7-3-2013	
 Cash in Bremer Bank, N.A., Grand Forks, ND:	
Their Credit Balance, as per statement, 6-30-13	<u>38,542.59</u>
.Checking Account #3636426	
 TOTAL CASH ON HAND AND IN BANK	<u><u>\$ 227,776.84</u></u>

ACCOUNTS RECEIVABLE

JUNE 30, 2013

<u>Name</u>	<u>1 Year & Over</u>	<u>61 to 1 Year</u>	<u>31 to 60 Days</u>	<u>30 Days & Under</u>	<u>Total</u>
Grafton Farmers Elev.	\$ 6,880.00				\$ 6,880.00
Nelson Farms				\$ 3,560.00	3,560.00
Nelson, Brad				5,340.00	5,340.00
Nelson, Jason	6,880.00				6,880.00
 TOTALS	<u>\$ 13,760.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,900.00</u>	<u>\$ 22,660.00</u>

(See accountant's report on supplementary information)

OTHER TRADE RECEIVABLES

JUNE 30, 2013

Continental Western Insurance	<u>\$ 45,180.00</u>
- Balance of Stock Insurance Coverage from Fire Damage	
 TOTAL OTHER TRADE RECEIVABLES	 <u><u>\$ 45,180.00</u></u>

PAYROLL ADVANCES

JUNE 30, 2013

Randy Miller (employee)	<u>\$ 2,242.10</u>
 TOTAL PAYROLL ADVANCES	 <u><u>\$ 2,242.10</u></u>

ACCRUED INCOME

JUNE 30, 2013

Accrued Service Charges on Open Price Later Contracts	<u>\$ 22,436.39</u>
 TOTAL ACCRUED INCOME	 <u><u>\$ 22,436.39</u></u>

(See accountant's report on supplementary information)

EDIBLE BEANS IN TRANSIT

JUNE 30, 2013

P.W. Montgomery, LLC	\$ 626,724.00
Russ Davis Wholesale	250.00
US Foodservice	<u>5,625.00</u>
Edible Beans in Transit	\$ 632,599.00
Less: Sales Advances	<u>(152,000.00)</u>
TOTAL EDIBLE BEANS IN TRANSIT	<u><u>\$ 480,599.00</u></u>

EDIBLE BEAN INVENTORY

JUNE 30, 2013

<u>Commodity</u>	<u>Quantity</u>	<u>Price</u>	<u>Total</u>
Pinto Beans	36,852.63 Cwt.	\$ 40.00	\$ 1,474,105.20
Pinto Splits	3,558.70 Cwt.	\$ 15.00	<u>53,380.50</u>
TOTAL EDIBLE BEAN INVENTORY			<u><u>\$ 1,527,485.70</u></u>

MERCHANDISE INVENTORY

JUNE 30, 2013

<u>Edible Bean Seed:</u>			
Pinto Bean Seed - Windchester	94.00 Cwt.	@ \$86.00	\$ <u>8,084.00</u>
TOTAL MERCHANDISE INVENTORY			<u><u>\$ 8,084.00</u></u>

(See accountant's report on supplementary information)

PREPAID ITEMS

JUNE 30, 2013

<u>Prepaid Expenses:</u>	<u>Paid Through:</u>	
Blue Cross Blue Shield of ND	10/1/2013	<u>\$ 6,846.90</u>
TOTAL PREPAID ITEMS		<u><u>\$ 6,846.90</u></u>

(See accountant's report on supplementary information)

FIXED ASSETS AND DEPRECIATION
GRAND FORKS BEAN COMPANY, INC.
FOR 12 MONTH PERIOD ENDING JUNE 30, 2013

Date Acq	Description	Meth/Life	Cost	Depr Basis	Beg A/Depr	Curr Depr	End A/Depr
ASSET A/C#: 100 - BUILDINGS							
09/28/05	Office 14'x50'	MSL/15.00	8,600.00	8,600.00	3,726.65	573.33	4,299.98
09/28/05	Brock Bin 60M Bu.	MSL/15.00	56,200.00	56,200.00	24,353.35	3,746.67	28,100.02
09/28/05	Westeel 3300 Bu Hopper Bin	MSL/10.00	2,400.00	2,400.00	1,560.00	240.00	1,800.00
09/28/05	(2) 50'x100' Bean Stg Quonsets	MSL/15.00	117,000.00	117,000.00	50,700.00	7,800.00	58,500.00
09/28/05	50'x100'' Processing Plant	MSL/15.00	60,900.00	60,900.00	26,390.00	4,060.00	30,450.00
Grand totals: 100 - BUILDINGS (5 assets)			245,100.00	245,100.00	106,730.00	16,420.00	123,150.00
ASSET A/C#: 200 - EQUIPMENT							
09/28/05	Truck Scale 60'x40'	MSL/ 7.00	13,700.00	13,700.00	12,721.41	978.59	13,700.00
09/28/05	Dust System	MSL/ 7.00	24,000.00	24,000.00	22,285.71	1,714.29	24,000.00
09/28/05	2M Bu Receiving Leg & Pit	MSL/ 7.00	17,100.00	17,100.00	15,878.59	1,221.41	17,100.00
09/28/05	Ladders, Fill & Reclaim Conveyor	MSL/ 7.00	41,100.00	41,100.00	38,164.29	2,935.71	41,100.00
09/28/05	100' Top Conveyor - Brock Bin	MSL/ 7.00	6,500.00	6,500.00	6,035.71	464.29	6,500.00
09/28/05	72' Conveyor & Catwalk - Brock	MSL/ 7.00	11,300.00	11,300.00	10,492.88	807.12	11,300.00
09/28/05	75' Unload Conveyor - Brock Bin	MSL/ 7.00	9,200.00	9,200.00	8,542.88	657.12	9,200.00
09/28/05	Crippen LG388 2H/S Scalper Air	MSL/ 7.00	37,900.00	37,900.00	35,192.88	2,707.12	37,900.00
09/28/05	Crippen CP588 Air Cleaner	MSL/ 7.00	37,900.00	37,900.00	35,192.88	2,707.12	37,900.00
09/28/05	Oliver 160A Gravity Separator	MSL/ 7.00	18,200.00	18,200.00	16,900.00	1,300.00	18,200.00
09/28/05	Oliver 6048A Destoner	MSL/ 7.00	12,100.00	12,100.00	11,235.71	864.29	12,100.00
09/28/05	Howe-Richardson G17 Bagger,	MSL/ 7.00	7,600.00	7,600.00	7,057.12	542.88	7,600.00
09/28/05	Bulk Rail Loadout Conveyor W/	MSL/ 7.00	7,600.00	7,600.00	7,057.12	542.88	7,600.00
09/28/05	Misc. Legs & Spouting	MSL/ 7.00	45,500.00	45,500.00	42,250.00	3,250.00	45,500.00
05/29/13 A	Model 100 Empress Sewing Head	MSL/ 7.00	4,419.46	4,419.46	0.00	315.67	315.67
06/25/13 A	4x4 5000# floor scale	MSL/ 7.00	1,665.18	1,665.18	0.00	118.94	118.94
Grand totals: 200 - EQUIPMENT (16 assets)			295,784.64	295,784.64	269,007.18	21,127.43	290,134.61
ASSET A/C#: 300 - MOBILE EQUIPMENT							
09/28/05	Cat T50B Forklift	MSL/ 7.00	3,300.00	3,300.00	3,064.29	235.71	3,300.00
09/28/05	Brudi #24200 Slip Sheet	MSL/ 7.00	2,000.00	2,000.00	1,857.12	142.88	2,000.00
09/28/05	1975 C6 Chevy Truck	MSL/ 7.00	2,000.00	2,000.00	1,857.12	142.88	2,000.00
09/28/05	Speedking 10"x70' Conveyor w/	MSL/ 7.00	2,000.00	2,000.00	1,857.12	142.88	2,000.00
09/28/05	Speedking 10"x40' Conveyor w/	MSL/ 7.00	1,300.00	1,300.00	1,207.12	92.88	1,300.00
09/28/05	2002 LS 180 Newholland Skidsteer	MSL/ 7.00	10,500.00	10,500.00	9,750.00	750.00	10,500.00
Grand totals: 300 - MOBILE EQUIPMENT (6 assets)			21,100.00	21,100.00	19,592.77	1,507.23	21,100.00
ASSET A/C#: 350 - VEHICLES							
03/28/12	2012 Ford 150	MSL/ 5.00	34,312.19	34,312.19	3,431.22	6,862.44	10,293.66
Grand totals: 350 - VEHICLES (1 assets)			34,312.19	34,312.19	3,431.22	6,862.44	10,293.66
ASSET A/C#: 500 - OFFICE EQUIPMENT							
10/31/05 D	HP Computer, Monitor &	MSL/ 5.00	1,558.27	1,558.27	1,558.27	0.00	1,558.27
10/24/12 A	HP 4000 Computer, Monitor,	MSL/ 5.00	2,350.08	2,350.08	0.00	235.01	235.01
12/05/12 A	New office furniture	MSL/ 7.00	2,070.26	2,070.26	0.00	147.88	147.88
06/12/13 A	Nordic Track X9i	MSL/ 7.00	1,926.83	1,926.83	0.00	137.63	137.63
Grand totals: 500 - OFFICE EQUIPMENT (4 assets)			7,905.44	7,905.44	1,558.27	520.52	2,078.79
Less: 1 Disposed assets (Current Depreciation:			1,558.27	1,558.27	1,558.27		1,558.27
Net totals: 500 - OFFICE EQUIPMENT (3 assets)			6,347.17	6,347.17	0.00	520.52	520.52
Grand totals for all accounts: (32 assets)			604,202.27	604,202.27	400,319.44	46,437.62	446,757.06
Less: 1 Disposed assets (Current Depreciation:			1,558.27	1,558.27	1,558.27		1,558.27
Net totals for all accounts: (31 assets)			602,644.00	602,644.00	398,761.17	46,437.62	445,198.79

(See accountant's report on supplementary information)

BB--00298

DISPOSED ASSETS

JUNE 30, 2013

Description	Acq	Sold	Cost	Accum. Depr.	Net Book Value	Selling Price	Gain (Loss)
<u>Assets Disposed/Traded in December</u>							
HP Computer, Monitor & Printer/Fax/Copier	10/31/05	12/31/12	1,558.27	1,558.27	0.00	0.00	0.00
<u>Disposed Asset Totals for December</u>	1 Disposed assets listed.		1,558.27	1,558.27	0.00	0.00	0.00
	0 Traded assets listed.		0.00	0.00	0.00		
	1 assets listed.		1,558.27	1,558.27	0.00		
<hr/>							
<u>Grand Totals</u>	1 Disposed assets listed.		1,558.27	1,558.27	0.00	0.00	0.00
	0 Traded assets listed.		0.00	0.00	0.00		
	1 assets listed.		1,558.27	1,558.27	0.00		

* - Will not print on IRS Form 4797.

(See accountant's report on supplementary information)

REAL ESTATE

JUNE 30, 2013

DATE

9-28-05

Lot Two(2), Block One(1), State Mill Addition
to Grand Forks, ND\$29,600.00

(See accountant's report on supplementary information)

OUTSTANDING CHECKS

JUNE 30, 2013

(A detailed list may be found in the office.)

\$ 191,195.32

PRICED BEANS PAYABLE

JUNE 30, 2013

<u>Commodity</u>	<u>Quantity</u>	<u>Price</u>	<u>Total</u>
Pinto Beans	12,589.83 Cwt.	\$ 31.68	<u>\$ 398,845.81</u>
TOTAL PRICED BEANS PAYABLE			<u>\$ 398,845.81</u>

DELAYED PRICING LIABILITY

JUNE 30, 2013

<u>Commodity</u>	<u>Quantity</u>	<u>Price</u>	<u>Total</u>
Pinto Beans	8,690.37 Cwt.	\$ 38.57	<u>\$ 335,187.57</u>
TOTAL DELAYED PRICING LIABILITY			<u>\$ 335,187.57</u>

(See accountant's report on supplementary information)

BB--00301

ACCRUED GAINS AND LOSSES ON OPEN CONTRACTS

JUNE 30, 2013

Purchases Contracts:

TA N/B	Pintos	2,000	Cwt.	@	\$ 39.50	
		6-30-13 Value			<u>40.00</u>	
		Accrued Gain			\$ 0.50	\$ 1,000.00
TA N/C	Pintos	24,000	Cwt.	@	\$ 36.08	
		6-30-13 Value			<u>40.00</u>	
		Accrued Gain			\$ 3.92	94,080.00

Sales Contracts:

TA N/B	Pintos	4,000	Cwt.	@	\$ 37.50	
		Margin			<u>(3.00)</u>	
					34.50	
		6-30-13 Value			<u>40.00</u>	
		Accrued Loss			\$ (5.50)	(22,000.00)
TA N/C	Pintos	30,000	Cwt.	@	\$ 38.75	
		Margin			<u>(4.00)</u>	
					34.75	
		6-30-13 Value			<u>40.00</u>	
		Accrued Loss			\$ (5.25)	\$ (157,500.00)

TOTAL ACCRUED GAINS AND LOSSES ON OPEN CONTRACTS \$ (84,420.00)

(See accountant's report on supplementary information)

ACCOUNTS PAYABLE

JUNE 30, 2013

Federal Withholding & FICA Taxes - Balance Overpaid	\$ (5,800.02)
Unemployment Taxes - 2nd Quarter Fed & State	300.89
ND & MN State Withholding Taxes - 2nd Quarter	717.00
Employee Payroll Withholdings	3,914.30
Edible Bean Tax	3,559.65
Continental Western Ins.	21,480.20
- Advance Estimate on Property Damaged by Fire not yet repaired	
DW Sturt - Brokerage Commissions	8,920.00
Burlington Northern Santa FE - Pinto Freight Charges	10,000.00
Treasure Valley Seed	<u>2,290.00</u>
TOTAL ACCOUNTS PAYABLE	<u><u>\$ 45,382.02</u></u>

ACCRUED EXPENSES

JUNE 30, 2013

Accrued Interest Expense:	
Long Term - Alerus Financial	\$ 1,669.19
Erickson & Associates, Ltd. - Professional Fees	3,720.00
Grand Forks County - Property Taxes	7,000.00
Miscellaneous Expenses Paid After Cutoff	<u>596.96</u>
TOTAL ACCRUED EXPENSES	<u><u>\$ 12,986.15</u></u>

(See accountant's report on supplementary information)

BB--00303

INSURANCE IN FORCE

JUNE 30, 2013

<u>Company</u>	<u>Inception Date</u>	<u>Expiration Date</u>	<u>Policy Number</u>	<u>Amount</u>	<u>Coverage</u>	<u>Premium</u>
<u>Property Insurance:</u>						
Continental Western Ins. Co. (Ag States Agency, LLC)	9-27-12	9-27-13	2903641.21	\$780,000	Buildings & Equipment	
				\$250,000	Newly Acquired Buildings & Equipment	
				\$3,000,000	Inventory & Stock	
				\$250,000	Newly Acquired Stock	
				\$150,000	Mobile Equipment	
				\$10,000	Tank Leakage	
				\$10,000	Debris Removal and Pollutant Cleanup	
				\$100,000	Mortgaged/Stolen Grain Coverage	
					<u>Business Income:</u>	
				\$50,000	Combined Loss of Income & Extra Expense	
				\$25,000	Accounts Receivable	
					<u>Crime Insurance:</u>	
				\$50,000	Employee Fraud	
				\$1,000	Money & Securities	
					<u>Auto Insurance:</u>	
				\$1,000,000	Uninsured/Underinsured Motorist	
				\$1,000,000	Liability	
					<u>General Liability:</u>	
				\$1,000,000	Per Occurrence Limit	
				\$2,000,000	General Aggregate	
				\$5,000	Medical Payments per Accident	\$15,065.00 A
					<u>Umbrella Liability</u>	
	9-27-12	9-27-13	N0101838	\$1,000,000	Aggregate Limit	\$1,000.00 A
First International, Insurance	11-20-12	11-20-13	66024305	\$100,000	ND Warehouse Bond	\$580.00 A

Loss Payee/Mortgages:

Alerus Financial, GP, ND
Dakota Certified Dev. Corp./SBA

(See accountant's report on supplementary information)

BB--00304

You should know...



North Dakota Public Service Commission

Issue G-1, Rev. January 2015



Selling Grain?

Know your rights and responsibilities regarding grading disputes, payment, storage rates, and handling fees.

North Dakota Public Service Commission

Commissioners
Julie Fedorchak
Randy Christmann
Brian Kalk

600 E. Boulevard Ave.
Department 408
Bismarck ND
58505-0480

Telephone
701-328-2400

Facsimile
701-328-2410

TDD/TTY
800-366-6888

E-mail
ndpsc@nd.gov

Website
www.psc.nd.gov

The Public Service Commission of North Dakota is an independent agency of the state of North Dakota. The Commission's primary responsibility is to regulate the public utility industry in North Dakota. The Commission's services are provided to the public without regard to race, color, sex, religion, or national origin. The Commission does not discriminate on the basis of race, color, sex, religion, or national origin. Any information provided through any connection with this document is for informational purposes only and does not constitute an offer of insurance or any other financial product. For more information, please contact your insurance agent.

NO GRAIN LICENSE— NO BOND PROTECTION

- ⊗ Bond coverage does not exist if a buyer is not licensed. If grain is sold to an unlicensed buyer and if the buyer does not pay for the grain, there is no bond coverage available to help pay the seller. Court action may be a farmer's only recourse if an unlicensed buyer fails to pay for grain. Therefore, farmers are strongly encouraged to check to ensure that the buyer is licensed. Warehouses and grain buyers must be licensed and bonded. Unlicensed buyers are operating illegally.
- ⊗ In North Dakota, bond requirements are based on the physical size of an elevator or on the amount of grain that a grain buyer handles. Even if the buyer is licensed and bonded, there is no guarantee that farmers will be fully reimbursed if a buyer becomes insolvent. If the buyer does not have enough grain and bond assets available to satisfy all valid grain claims, available funds are distributed on a prorated basis.
- ⊗ Farmers must also be aware that bond coverage may not be available if grain is sold to a company that is located outside the state. If grain is sold to out-of-state entities, the laws of the state in which the buyer is located may govern the transaction. Farmers may find that they have far less protection in those states than they do if the grain was sold to a company that is licensed in North Dakota.
- ⊗ To find out if a warehouse or grain buyer is licensed in North Dakota, visit the Public Service Commission web site at www.psc.state.nd.us or call (701) 328-4097.

CREDIT-SALE CONTRACTS AND INDEMNITY FUND

- ⊗ Delayed price and deferred payment contracts are examples of credit-sale contracts. State law defines credit-sale contracts as written grain sale contracts that provide that the sale price may be paid more than 30 days after the delivery or release of the grain for sale.

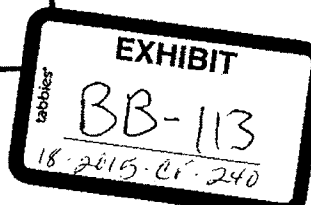
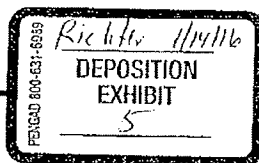
Title to grain will pass from the farmer to the buyer when a credit-sale contract is signed, unless the farmer has signed a contract providing for the title to the grain to pass to the buyer at the time of delivery.

Farmers should be aware that credit-sale contracts are not protected by the buyer's bond unless the buyer has secured independent bond coverage. If the buyer has secured independent bond coverage, the amount of bond available should be identified in the contract disclaimer. If no credit-sale contract bond coverage is available, disclaimer language concerning the lack of bond coverage must be printed in bold type immediately above the signature block on the contract. The disclaimer statement must contain the following or similar language:

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

Although there may not be bond protection afforded to those entering into credit-sale contracts, a fund was created by the 2003 Legislature that provides protection for unpaid credit-sale contracts executed after August 1, 2003, in grain elevator or grain buyer insolvencies. Each patron's coverage is limited to 80% of the patron's unpaid credit-sale contracts with the insolvent buyer, up to a maximum payout of \$280,000.

PSC 2113



BB--00330

Selling Grain?

Know your rights and responsibilities regarding grading disputes, payment, storage rates and handling fees.

(cont.)

FARMERS--CREDIT-SALE CONTRACTS MUST BE SIGNED

State law requires that scale tickets be issued for every load of grain received and that all scale tickets be converted into cash, noncredit-sale contracts, credit-sale contracts, or warehouse receipts within 30 days after the grain is delivered to the warehouse. State law also requires every grain buyer, upon receiving grain, to issue a scale ticket or comparable receipt and shall pay the farmer within 45 days of receipt of the grain.

A farmer, who makes the decision to sell grain and take payment more than 45 days after the delivery or release of the grain for sale, must enter into a credit-sale contract with the grain warehouse where the grain is delivered or with the grain buyer that received the grain. A credit-sale contract must be signed to be valid and enforceable. If credit-sale contracts are not signed within the required time, grain warehouses and grain buyers are at risk of having a complaint filed against them.

Farmers are encouraged to work with their grain warehouses and grain buyers to get all credit-sale contracts signed within the time permitted by state law.

STORAGE RATES AND HANDLING FEES

- ⊗ State law does not prescribe grain elevator storage rates and handling fees. Each state licensed grain warehouse sets its own storage rates and redelivery fees (i.e. "in" and "out" charges).
- ⊗ Licensees cannot, however, unjustly discriminate among patrons. State licensed grain warehouses must file their proposed rate schedule with the Public Service Commission; it must also be posted at the warehouse. The rates may be revised upon filing with the PSC.
- ⊗ Storage rates must be stated on warehouse receipts. If a warehouseman changes his rates, the rates that were in effect when a warehouse receipt was issued are the rates that apply to

that storage contract. Warehouse receipts on beans expire on April 30 of each year; other grain receipts expire on June 30. If expired receipts are reissued, the storage rate in effect at the time is the rate that will apply to the renewed receipt.

- ⊗ Farmers should not confuse storage rates with credit-sale contract service or handling charges (delayed price and deferred payment-type transactions). These fees are not regulated and are governed by the terms of the contract that is entered into by the buyer and the seller.

GRADING DISPUTES - DON'T WAIT OR YOU'LL BE TOO LATE

- ⊗ State law does not regulate elevator purchase prices, premiums, or discounts. State law does provide, however, that warehousemen may not unjustly discriminate among patrons.
- ⊗ If a farmer does not agree with an elevator's test results he has the right to ask that an independent test be performed on his grain. He must, however, ask for the test when the grain is delivered.
- ⊗ To initiate the process, the farmer must ask for the independent test. The farmer and the warehouseman must then draw a mutually agreeable sample of the load. This sample must be sealed in a container and sent to a federally licensed inspection service or to some other mutually agreed to third party for testing.
- ⊗ The buyer and the seller are both obligated to accept the results of the independent test. The farmer is responsible for the cost of the tests.
- ⊗ State law requires that warehousemen and grain buyers post a notice concerning the law's provisions concerning the resolution of grain grading disputes. To obtain a copy of the notice, visit the PSC's website at www.psc.nd.gov or call (701) 328-4097.

Note: This information piece was originally produced and disseminated in August 2000 in cooperation with the Agricultural Extension Service, North Dakota State University.

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]

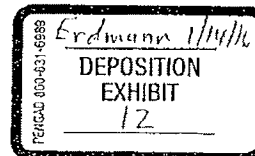
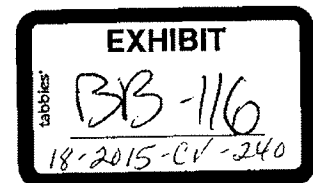
Locations Examined

Annual Activity Case

License No

GE 14 595

1164 Grand Forks



PSC 2043

BB--00371



North Dakota Public Service Commission
Memorandum of Adjustment

02/26/2014 12:23:55 PM

Page: 1

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

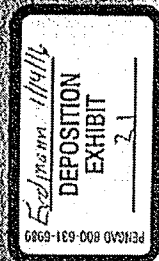
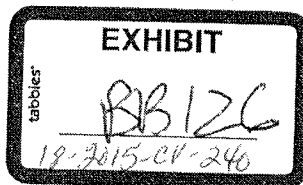
Phone: 701-328-4097
Fax: 701-328-2410
Email: srichter@nd.gov
www.psc.state.nd.us

CREDIT-SALE CONTRACTS

THE BOND OF THIS WAREHOUSE DOES
NOT PROTECT PERSONS ENTERING INTO
DEFERRED PAYMENT CONTRACTS, DELAYED
PRICE CONTRACTS OR OTHER
CREDIT - SALE TYPE ARRANGEMENTS.

Public Service Commission
Licensing Division
12th Floor - State Capitol
Bismarck, ND 58505-0460
701-328-4097

September 1995



1 STATE OF NORTH DAKOTA

IN DISTRICT COURT

2 COUNTY OF GRAND FORKS

NORTHEAST CENTRAL JUDICIAL DISTRICT

3 Public Service Commission,)

Case No.: 18-2015-CV-00240

4 Petitioner,)

ORDER MODIFYING TRUSTEE'S
REPORT AND RECOMMENDATION

5 vs.)

6 Grand Forks Bean Company, Inc.)

7 and Auto-Owners Insurance)

8 Company,)

Respondents.)

9 A. BACKGROUND.

10 ¶ 1 Grand Forks Bean Company, Inc. [Grand Forks Bean] became the subject of
11 insolvency proceedings following complaints made to the Public Service Commission
12 [PSC] by agricultural producers. The agricultural producers complained that they were not
13 being paid for beans they had delivered to Grand Forks Bean. The PSC secured an order
14 requiring Grand Forks Bean to “cease and desist” its operations and appointing the PSC to
15 act as Trustee for Grand Forks Bean. The PSC seeks judicial approval of the PSC’s Report
16 and Recommendation for distribution of trust fund assets held by the PSC following the
17 sale of beans that were in the possession of Grand Forks Bean.

18 ¶ 2 The claimants in this action include agricultural producers who delivered beans to
19 Grand Forks Bean and were not paid for the beans [collectively “Growers”] and Bremer
20 Bank, NA [Bremer] which advanced funds to Grand Forks Bean. The claimants seek
21 distribution from the trust fund. Auto-Owners Insurance Company Auto [Auto-Owners]
22 issued the bond required to be purchased by Grand Forks Bean pursuant to N.D.C.C. § 60-
23 02-09. The bond issued by Auto-Owners provides coverage for claims that exceed the
24 other trust fund assets being held by the PSC as Trustee for Grand Forks Bean.

1 [¶ 3] The PSC Report and Recommendation provides for payment to the Growers in
2 amounts less than claimed by the Growers. The variance between the Growers' claims and
3 the PSC recommendation is primarily related to a disagreement over the date Grand Forks
4 Bean became insolvent and the application of a storage fee; the date of insolvency
5 determines the market price to be paid for beans delivered to Grand Forks Bean by the
6 Growers. Curt Amundson also disagrees with the amount of offset that should be applied
7 to his claim to account for seed he purchased from Grand Forks Bean. Bremer contends
8 that it has a priority secured interest in the assets of Grand Forks Bean and that the
9 Growers fail to satisfy the requirements that must be met to allow their claims to be paid
10 from the trust fund assets. Auto-Owners agrees with the PSC's proposed distributions.

11
12 B. ISSUES REMAINING FOR RESOLUTION.

13 [¶ 4] Resolution of the pending case depends on the determination of several issues.

14 Those issues include the following:

- 15 • Whether the delivery of beans by the Growers to Grand Forks Bean was
16 pursuant to credit-sale contracts or noncredit-sales contracts. If the delivery was
17 pursuant to credit-sale contracts the Growers are not entitled to payment from
18 the trust fund assets held by the PSC.¹
- 19 • The date of insolvency for Grand Forks Bean. The date of insolvency is the date
20 for setting the market price of the beans delivered by the Growers but not sold
21 to Grand Forks Bean and in turn determining the amount of each non-sale
22 Grower's claim.

23
24 ¹ Although it is correct that noncredit-sale contracts get paid from trust assets while credit-sale
25 contracts do not get paid from trust fund assets, a more precise summary is that receiptholders get
 paid from trust fund assets and the definition of receiptholder excludes credit-sale contracts.

- Whether the Growers should be charged a storage charge or other service charge; an offset to each Grower's claim.
- The amount of the offset against Curt Amundson/CR Farms claim to account for seed purchased from Grand Forks Bean.
- Whether the PSC is entitled to recover from the trust fund its fees and expenses incurred in these proceedings.

C. CREDIT-SALE CONTRACTS.

1. Statutory Structure -- Credit-Sale Contracts are Defined by N.D.C.C. § 60-04-01(2).

[¶ 5] The parties disagree whether or not the Growers delivered beans to Grand Forks Bean pursuant to credit-sale contracts or noncredit-sale contracts [NCS contracts]. NCS contracts, as included within the definition of receipt holder, are paid out of the insolvency trust fund. N.D.C.C. § 60-04-01, et. seq. Growers who entered into credit-sale contracts fall outside of the insolvency proceedings and are not entitled to payment from the trust fund assets being held by the PSC. N.D.C.C. § 60-04-01(6) (defining receipt holder and excluding credit-sale transactions). In 2003 the North Dakota Legislature enacted Chapter 60-10 of the North Dakota Century Code which establishes an indemnity fund to provide payment to agricultural producers who entered into credit-sale contracts with grain elevators.

[¶ 6] The definition of a credit-sale contract is included in Chapter 60-02 providing for the regulation of warehouses and in Chapter 60-04 governing warehouse insolvency.

N.D.C.C. §§ 60-02-01(2) and 60-04-01(4). Section 60-02-01(4) provides as follows:

"Credit-sale contract" means a written contract for the sale of grain pursuant to which the sale price is to be paid or may be

1 paid more than thirty days after the delivery or release of the
2 grain for sale and which contains the notice provided in
3 subsection 7 of section 60-02-19.1. If a part of the sale price
4 of a contract for the sale of grain is to be paid or may be paid
5 more than thirty days after the delivery or release of the grain
for sale, only such part of the contract is a credit-sale
contract.

6 An identical definition of a credit-sale contract is provided in the Chapter 60-02 governing
7 the regulation of grain warehouses. N.D.C.C. § 60-02-01(2). The definition of an NCS
8 contract is provided by § 60-02-01(4) which reads as follows: “Noncredit-sale contract’
9 means a contract for the sale of grain other than a credit-sale contract.”

10 [¶ 7] In contrast to Chapter 60-02, the insolvency proceedings governed by Chapter 60-
11 04 do not contain a definition for noncredit-sale contracts. Instead, payment from the trust
12 fund is provided to receiptholders, the definition of which excludes credit-sale contracts.
13 See, N.D.C.C. §§ 60-04-01(6) and 60-04-09. Although it is correct that noncredit-sale
14 contracts get paid from trust assets while credit-sale contracts do not get paid from trust
15 fund assets, a more precise summary is that receiptholders get paid from trust fund assets
16 and the definition of receiptholder excludes credit-sale contracts.

17 [¶ 8] Both N.D.C.C. § 60-02-01(2) and § 60-04-01(2) reference the notice requirements
18 “provided in subsection 7 of section 60-02-19.1.” Section 60-02-19.1 reads in its entirety
19 as follows:

20 **60-02-19.1. Credit-sale contracts.**

21
22 A warehouseman shall not purchase grain by a credit-sale
23 contract except as provided in this section. All credit-sale
24 contracts must be in writing and must be consecutively
25 numbered at the time of printing the contract. The
warehouseman shall maintain an accurate record of all

1 credit-sale contract numbers, including the disposition of
2 each numbered form, whether by execution, destruction, or
3 otherwise. Each credit-sale contract must contain or provide
4 for all of the following:

- 5 1. The seller's name and address.
- 6 2. The conditions of delivery.
- 7 3. The amount and kind of grain delivered.
- 8 4. The price per unit or basis of value.
- 9 5. The date payment is to be made.
- 10 6. The duration of the credit-sale contract.
- 11 7. Notice in a clear and prominent manner that
12 the sale is not protected by the bond coverage
13 provided for in section 60-02-09. However, if
14 the warehouseman has obtained bond
15 coverage in addition to that required by
16 section 60-02-09 and such coverage extends
17 to the benefit of credit-sale contracts, the
18 warehouseman may state the same in the
19 credit-sale contract along with the extent of
20 such coverage.

21 The contract must be signed by both parties and executed in
22 duplicate. One copy shall be retained by the warehouseman
23 and one copy shall be delivered to the seller. Upon
24 revocation, termination, or cancellation of a warehouseman's
25 license, the payment date for all credit-sale contracts shall, at
the seller's option, be advanced to a date not later than thirty
days after the effective date of the revocation, termination, or
cancellation, and the purchase price for all unpriced grain
shall be determined as of the effective date of revocation,
termination, or cancellation in accordance with all other
provisions of the contract. When a public warehouse is
transferred under this chapter, credit-sale contracts may be
assigned to another licensed public warehouseman or
facility-based grain buyer.

22 [¶ 9] Bremer contends that the definition provided in § 60-04-01(2) is controlling.

23 Bremer asserts that the only requirement from § 60-02-19.1 that is incorporated into the
24 definition of a credit-sale contract is subsection 7 which is specifically referenced in § 60-
25

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04-01(2). The Growers, the PSC and Auto-Owners all contend that all of the requirements of § 60-02-19.1 must be satisfied to establish a credit-sale contract.

[¶ 10] Bremer asserts that “requiring every condition outlined in § 60-02-19.1 contravenes the plain language of the statutes” Bremer thereafter contends that § 60-02-19.1 provides the specific requirements applicable to warehouseman as part of the regulation of warehouses in Chapter 60-02 and, other than as specifically referenced, does not apply to the definition of a credit-sale as applied in Chapter 60-04 insolvency proceedings.

Bremer’s argument is persuasive for the reasons explained in the following paragraphs.

[¶ 11] First, § 60-04-01(2) makes a specific reference to subsection 7 of § 60-02-19.1. If all of the requirements of § 60-02-19.1 already applied to the definition of a credit-sale contract there would be no need for the additional specific reference to subsection 7.

Similarly, if the intent was to require all the requirements within § 60-02-19.1 to apply, the more logical approach would have been to state that a credit-sale contract is required to “meet all of the conditions” of § 60-02-19.1 rather than limiting the reference to “the notice provided in subsection 7 of section 60-02-19.1.” By limiting the reference to a single subsection it becomes clear that reference is necessary to include that subsection; the entire section therefore does not apply.

[¶ 12] Second, the language of § 60-02-19.1 itself reads as a prohibition directed toward warehouseman and not a definition for a credit-sale contract. The very first sentence reads “[a] warehouseman shall not purchase grain by a credit-sale contract except as provided in this section.” It doesn’t indicate that all of the requirements of the section must be met to create a credit-sale contract, but directs warehousemen who do enter into credit-sale

1 contracts to comply with specific requirements. The third sentence of § 60-02-19.1
2 provides “[t]he warehouseman shall maintain an accurate record of all credit-sale contract
3 numbers, including the disposition of each numbered form, whether by execution,
4 destruction, or otherwise.” Again, this language clearly reflects the intent of the statute to
5 regulate warehousemen, not to define credit-sale contracts.

6 [¶ 13] Third, several other sections within Chapter 60-02 are prohibitions directed toward
7 warehousemen. See, e.g., §§ 60-02-16 and 60-02-17. Chapter 60-02 itself is directed
8 toward the regulation of warehouses by the PSC. See, e.g., §§ 60-02-02 and 60-02-03.
9 Chapter 60-02 even includes penalties for the violation of any section in the chapter.
10 N.D.C.C. § 60-02-12. When considered as a whole Chapter 60-02 is clearly intended to be
11 the structure for regulation of warehouses with the definition of a credit-sale contract
12 contained in § 60-02-01(2) and specific regulation of what is required of warehousemen if
13 they decide to enter into credit-sale agreements provided in § 60-02-19.1.

14 [¶ 14] Fourth, both Chapters 60-02 and 60-04 provide definitions for a credit-sale
15 contract. See, N.D.C.C. §§ 60-02-01(2) and 60-04-01(2). However, Chapter 60-04 does not
16 contain a corollary to § 60-02-19.1. The absence of a corollary provision is best explained
17 by the fact that Chapter 60-02 is focused on the regulation of warehousemen so there is a
18 need to include regulation imposed on warehousemen by § 60-02-19.1 In contrast, Chapter
19 60-04 is directed toward dealing with an insolvent warehouse which does not require the
20 regulatory provision directed at warehousemen.

21 [¶ 15] Fifth, interpretation that full compliance with § 60-02-19.1 is required would have
22 a result contrary to the intent of the legislation in enacting Chapter 60-04 relating to the
23 insolvency of warehouses. The legislation is intended to remove from participation in the
24

1 trust fund agricultural producers who knowingly extend payment beyond 30 days and
2 acknowledge that they are not covered by the statutorily mandated bond; hence, the need to
3 incorporate only the notice of subsection 7 of § 60-02-19.1. The PSC's interpretation
4 would allow individuals who knowingly deferred payment in excess of 30 days and who
5 acknowledged that they were not covered by the statutorily mandated bond to participate in
6 the trust fund as the result of a failure of the warehousemen to comply with clearly
7 regulatory directives. For example, something as nonconsequential as not including the
8 seller's address or a warehousemen failing to use consecutively numbered contracts, both
9 requirements of § 60-02-19.1, would result in a determination that the agreement between
10 the parties was not a credit-sale contract.² A missing address or failure to use consecutively
11 numbered contracts may be a reason to penalize a warehousemen, but it does not warrant
12 completely vacating an otherwise complete credit-sale agreement.
13

14 [¶ 16] Sixth, warehouse insolvency proceedings are governed by Chapter 60-04, not
15 Chapter 60-02. Other than as specifically referenced through the inclusion of subsection 7
16 of § 60-02-19.1 in a single section of Chapter 60-04, there isn't a need to apply § 60-02-
17 19.1 in insolvency proceedings. While Chapters 60-04 and 60-02 have been held to be part
18 of the same statutory scheme, § 60-02-19.1 is unnecessary for the application of Chapter
19 60-02, except as referenced. See, e.g., Public Service Com'n. v. Minnesota Grain, Inc.,
20 2008 ND 184 ¶ 17, 756 N.W.2d 763 (recognizing that Chapters 60-02 and 60-04 are part
21 of the same statutory scheme and therefore crucial elements of Chapter 60-02 cannot be
22 ignored in applying Chapter 60-04).

23
24 _____
25 ² For example, in the case at hand many of the documents list only a City name for the address and
others have no address.

1 [¶ 17] Seventh, identical definitions for a credit-sale contract are found in §§ 60-02-01(2)
2 and 60-04-01(2). Both sections include the specific reference to subdivision 7 of § 60-02-
3 19.1. As such, even in the regulatory chapter which includes § 60-02-19.1 the definition of
4 a credit-sale contract requires specific reference to subdivision 7 of § 60-02-19.1 to
5 incorporate the notice provision into the definition of a credit-sale contract.

6 [¶ 18] Eighth, receiptholders are entitled to payment from the trust fund. Although the
7 definition of receiptholder incorporates noncredit-sale contracts and excludes credit-sale
8 contracts, the use of the term receiptholder is significant. Chapter 60-04 does not require
9 the term noncredit-sale to be defined.

10 [¶ 19] Compliance with § 60-02-19.1 is not required to create a credit-sale contract,
11 although non-compliance by a warehouseman may result in a penalty. Section 60-02-19.1
12 is not part of the definition of a credit-sale contract except as specifically incorporated by
13 reference (subsection 7). Section 60-02-19.1 exists to regulate warehouses and requires
14 warehousemen to satisfy the requirements of § 60-02-19.1 when entering into credit-sale
15 contracts or face a penalty.

16 [¶ 20] Because the statutes in question are not ambiguous, it is not necessary to resort to
17 legislative history to aid in the interpretation. However, in reviewing the legislative history
18 cited by the PSC the undersigned finds that it is not persuasive. The references provided by
19 the PSC relate to the specific issue of signing a contract and does not support the
20 proposition that a credit-sale contract must meet all of the requirements of 60-02-19.1. As
21 discussed below the absence of a signature may result in a determination there is not a
22 contract which is a requirement of a credit-sale contract under the definitions provided in
23 N.D.C.C. § 60-04-01(2).
24

1 2. Although § 60-02-19.1 Compliance is not required for a Credit-Sale
2 Contract, the Controlling Document must still meet the Definition of a
3 Credit-Sale Contract as Provided by N.D.C.C. § 60-04-01(2).

4 [¶ 21] The definition of a credit-sale contract as provided by N.D.C.C. § 60-04-01(2)
5 includes the following:

6 A written contract for the sale of grain pursuant to which the
7 sale price is to be paid or may be paid more than thirty days
8 after the delivery or release of the grain for sale and which
9 contains the notice provided in subsection 7 of section 60-
10 02-19.1.

11 [¶ 22] Determination of whether or not the transactions are credit-sale contracts requires a
12 review of the Dry Bean Contracts [DBC] and the Price Later Marketing Agreements
13 [PLMA]. The DBCs are purchase agreements and do not qualify as credit-sale contracts.
14 The DBCs state that Grand Forks Bean is the “buyer” and the Growers are the “seller.”
15 The DBCs state the quantity of beans, the price to be paid for the beans and the date of
16 payment.³ With the exception of questions about the Growers’ signatures, all of the
17 required elements of a valid contract are contained within the DBCs. However, the DBCs
18 do not include the required notice provision contained in subsection 7 of § 60-02-19.1
19 which is a requirement of a credit-sale contract as defined by N.D.C.C. § 60-04-01(2).

20 [¶ 23] The transactions in this case are governed by the Uniform Commercial Code as
21 codified in Title 41 of the North Dakota Century Code and, in particular, Chapter 41-02
22 pertaining to sales. The statute of frauds, codified in § 41-02-08, ordinarily requires that to
23 be enforceable an agreement for the sale of goods must be in writing and must be signed
24 by the party against whom enforcement is sought. Section 41-02-08 reads as follows:

25 ³ As explained subsequently, Brent Baldwin signed two DBCs, one of which provided for payment
to Brent Baldwin upon the sale of the beans and the other set payment at December 31, 2013.

1 **41-02-08. (2-201) Formal requirements - Statute of**
2 **frauds.**

- 3 1. Except as otherwise provided in this section, a
4 contract for the sale of goods for the price of five
5 hundred dollars or more is not enforceable by way of
6 action or defense unless there is some writing
7 sufficient to indicate that a contract for sale has been
8 made between the parties and signed by the party
9 against whom enforcement is sought or by that
10 party's authorized agent or broker. A writing is not
11 insufficient because it omits or incorrectly states a
12 term agreed upon but the contract is not enforceable
13 under this subsection beyond the quantity of goods
14 shown in such writing.
- 15 2. Between merchants if within a reasonable time a
16 writing in confirmation of the contract and sufficient
17 against the sender is received and the party receiving
18 it has reason to know its contents, it satisfies the
19 requirements of subsection 1 against such party
20 unless written notice of objection to its contents is
21 given within ten days after it is received.
- 22 3. A contract which does not satisfy the requirements of
23 subsection 1 but which is valid in other respects is
24 enforceable:
- 25 a. If the goods are to be specially manufactured
for the buyer and are not suitable for sale to
others in the ordinary course of the seller's
business and the seller, before notice of
repudiation is received and under
circumstances which reasonably indicate that
the goods are for the buyer, has made either a
substantial beginning of their manufacture or
commitments for their procurement;
 - b. If the party against whom enforcement is
sought admits in that party's pleading,
testimony, or otherwise in court that a
contract for sale was made, but the contract is
not enforceable under this provision beyond
the quantity of goods admitted; or

1 c. With respect to goods for which payment has
2 been made and accepted or which have been
3 received and accepted (section 41-02-69).

4 The DBCs and PLMAs can satisfy the writing and the signature requirement of the statute
5 of frauds if they were either signed by both parties, signed by the party to be charged,
6 and/or represent a transaction between merchants confirmed in writing without objection.

7 3. The Specific Transactions.

8 a. Brad Nelson and the Estate of Brad Nelson.

9 [¶ 24] The Estate of Brad Nelson has made a claim based on a quantity of 1,810.44 cwt.
10 of beans. There is no dispute regarding the quantity of beans in the claim. The claim is
11 documented by scale tickets and a DBC dated October 16, 2012 with a signature for Brad
12 Nelson noted as “phone w/ Brad.” A PLMA, presumably for the same beans, was found in
13 the records of Grand Forks Bean. Brad Nelson passed away on July 9, 2013. The PLMA is
14 dated September 6, 2014, and impossibly has the signature of “Brad Nelson.”

15 [¶ 25] Neither the DBC nor the PLMA satisfy the requirements of a credit-sale contract.
16 The statute of frauds required these transactions to be in writing and signed to be valid
17 contracts; a valid contract is a prerequisite to a credit-sale contract. Neither document has
18 been signed; the DBC has a telephone notation while the PLMA is dated after Brad
19 Nelson’s death making it impossible for him to have signed the document on the alleged
20 date of the contract. Additionally, the DBC does not contain the required notice that the
21 statutory bond does not apply. Therefore, Brad Nelson and the Estate of Brad Nelson did
22 not enter into a credit-sale contract.

23 [¶ 26] With regard to the alternative “signature” provisions of § 41-02-08 there is no
24 evidence the PLMA was ever transmitted to Brad Nelson or his estate. See, N.D.C.C. § 41-
25

1 02-08(2). Insufficient evidence was provided to conclude Brad Nelson or his estate has
2 made admissions that this was a credit-sale transaction, that the goods were specially
3 manufactured, or that the payment/delivery exception applies. See, N.D.C.C. § 41-02-
4 08(3).

5 b. Brent Baldwin and Baldwin Farms, Inc.

6 [¶ 27] Brent Baldwin has made a claim based on a quantity of 2,220.36 cwt of beans.
7 Baldwin Farms, Inc. submitted a claim based on a quantity of 1005.72 cwt. of beans. There
8 is no dispute regarding the quantity of beans in the claims. The claims are documented by
9 scale tickets and by two DBCs, both dated September 6, 2013, with a signature for Brent
10 Baldwin noted as “phone w/ Brent.” A PLMA was provided to the PSC by Brent Baldwin.
11 The PLMA, dated September 12, 2013, is in the name of “Baldwin Farms Inc./Brent
12 Baldwin,” and purportedly has the signature of Brent Baldwin by an illegible signature.
13 Based on Brent Baldwin’s testimony, the signature is presumably the signature of Steve
14 Hartje, a truck driver for Brent Baldwin/Baldwin Farms, Inc. Brent Baldwin never
15 provided authority for Steve Hartje or any other individual to execute the PLMA.

16 [¶ 28] The statute of frauds required these transactions to be signed to be valid contracts; a
17 valid contract is a prerequisite to a credit-sale contract. None of the documents have been
18 signed. The DBCs have a telephone notation indicating they were drafted pursuant to a
19 telephone call. The PLMA is signed on behalf of Brent Baldwin by someone else and there
20 is insufficient evidence to support a finding that the signature was provided by someone
21 who had actual or apparent authority to sign the PLMA.

22 [¶ 29] The absence of a signature is not necessarily fatal. If a transaction is between
23 merchants and within a reasonable time following oral conversation a writing confirming
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1 the contract which is sufficient to be enforceable against the sender is received by the other
2 party, and the party receiving it has reason to know its contents, it satisfies the signature
3 requirement of the receiving party unless written notice of objection to its contents is given
4 within ten days after it is received. Subsequent to his telephone conversations with Grand
5 Forks Bean and prior to his delivery of beans, Brent Baldwin received the DBCs. Brent
6 Baldwin testified that the DBCs were consistent with the oral communications and no
7 evidence was provided to support a finding that Brent Baldwin objected to the terms. Both
8 Brent Baldwin and Grand Forks Bean are merchants as defined by N.D.C.C. § 41-02-
9 04(3). The DBCs therefore satisfy the alternative to a signature found within N.D.C.C. §
10 41-02-08(2) and were enforceable contracts.

11 [¶ 30] The DBCs are valid contracts but are not sufficient to satisfy the definition of a
12 credit-sale contract because they do not contain notice that the statutory bond does not
13 apply. However, whether the PLMA acted as a modification of the DBCs must be
14 examined. Modification of the DBCs is governed by N.D.C.C. § 41-02-0-16 which reads
15 as follows:
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17 **41-02-16. (2-209) Modification, rescission, and waiver.**

- 18 1. An agreement modifying a contract within this
19 chapter needs no consideration to be binding.
- 20 2. A signed agreement which excludes modification or
21 rescission except by a signed writing cannot be
22 otherwise modified or rescinded, but except as
23 between merchants such a requirement on a form
24 supplied by the merchant must be separately signed
25 by the other party.
3. The requirements of the statute of frauds section of
this chapter (section 41-02-08) must be satisfied if
the contract as modified is within its provisions.
4. Although an attempt at modification or rescission

1 does not satisfy the requirements of subsection 2 or 3,
2 it can operate as a waiver.

- 3 5. A party who has made a waiver affecting an
4 executory portion of the contract may retract the
5 waiver by reasonable notification received by the
6 other party that strict performance will be required of
any term waived, unless the retraction would be
unjust in view of a material change of position in
reliance on the waiver.

7 [¶ 31] As a modification of the DBCs the PLMA did not require additional consideration.
8 § 41-02-16(1). However, the PLMA did not act as a modification of the DBCs because it
9 was unsigned and does not satisfy an alternative to the signature requirement. Unlike the
10 DBCs, the PLMA does not satisfy § 41-02-08(2) relating to communications between
11 merchants because Brent Baldwin testified he did not have any conversations with Grand
12 Forks Bean regarding the PLMA and the PLMA was sent to Brent Baldwin via an
13 employee. Under these circumstances Brent Baldwin and/or Baldwin Farms, Inc. did not
14 have “reason to know its [the PLMA] contents” and therefore § 41-02-08(2) was not
15 satisfied.

16 [¶ 32] The evidence produced at the hearing is consistent with a determination that the
17 parties did not have a credit-sale relationship. Brent Baldwin’s contacts with Grand Forks
18 Bean subsequent to delivering the beans were to demand payment for the first 3,000 cwt.
19 and payment was made on December 27, 2013 consistent with Exhibit 21(a). Brent
20 Baldwin then made a demand for the sale of beans consistent with the second DBC,
21 Exhibit 21(b). Although the payment under the second DBC extended beyond 30 days,
22 because the PLMA did not modify the DBC the agreement was not a credit-sale because it
23 lacked the required statutory notice.
24

1 c. Duane Altendorf.

2 [¶ 33] Duane Altendorf has made a claim based on a quantity of 2,408.22 cwt. of beans.
3 There is no dispute regarding the quantity of beans in the claim. The claim is documented
4 by scale tickets and a PLMA initially provided to Duane Altendorf by the PSC. The PLMA
5 is dated September 23, 2013 and has the purported signature of Duane Altendorf. Duane
6 Altendorf denies that he signed the PLMA and denies that he provided authority to anyone
7 else to sign on his behalf.

8 [¶ 34] The statute of frauds required these transactions to be in writing and signed to be
9 valid contracts; a valid contract is a prerequisite to a credit-sale contract. Duane Altendorf
10 did not sign the PLMA. The finding that Duane Altendorf did not sign the agreement is
11 supported by his testimony, other documents having been executed “per phone call,” other
12 documents having been executed by individuals who did not have authority to sign
13 documents and the false “signature” of Brad Nelson on the PLMA dated after Brad
14 Nelson’s death.

15 [¶ 35] The absence of a signature is not necessarily fatal. If a transaction is between
16 merchants and within a reasonable time following oral conversation a writing confirming
17 the contract which is sufficient to be enforceable against the sender is received by the other
18 party, and the party receiving it has reason to know its contents, it satisfies the signature
19 requirements of the receiving party unless written notice of objection to its contents is
20 given within ten days after it is received. The PLMA is dated September 23, 2013, a date
21 which was subsequent to or contemporaneous with Duane Altendorf’s telephone
22 conversation(s) with Grand Forks Bean, and on the same day or the day prior to his
23 delivery of beans. However, Duane Altendorf testified that he had never seen the PLMA
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1 until it was provided by the PSC to him. Insufficient evidence was provided to support a
2 finding that Duane Altendorf ever received the PLMA from Grand Forks Bean. The
3 PLMA therefore does not satisfy the alternative to a signature found within N.D.C.C. § 41-
4 02-08(2).

5 [¶ 36] The evidence produced at the hearing is consistent with a determination that the
6 parties had an agreement for Duane Altendorf to sell beans to Grand Forks Bean for \$45
7 per cwt. Duane Altendorf's contacts with Grand Forks Bean subsequent to delivering the
8 beans were to demand payment. Partial payment was made to Duane Altendorf. The
9 remaining beans were sold to Grand Forks Bean for immediate payment at a price of \$45
10 per cwt.
11

12 d. Curt Amundson.

13 [¶ 37] Curt Amundson has made a claim based on a quantity of 12,128.28 cwt. of beans.
14 There is no dispute regarding the quantity of beans in the claim. The claim is documented
15 by scale tickets and a PLMA. The PLMA is dated September 5, 2013 and has the signature
16 of Curt Amundson. The PLMA was specifically referenced in Curt Amundson's claim and
17 attached to his claim in this case. (Doc. Nos. 59 and 60).

18 [¶ 38] The PLMA does satisfy the requirements of a credit-sale contract. It is a written
19 contract for the sale of grain pursuant to which the sale price is to be paid or may be paid
20 more than 30 days after the delivery or release of the grain for sale and which contains the
21 notice provided in subsection 7 of § 60-02-19.1. Therefore, Curt Amundson entered into a
22 credit-sale contract.

23 e. Chuck Nelson.

24 [¶ 39] Chuck Nelson has made a claim based on a quantity of 1,315.08 cwt. of beans.
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1 There is no dispute regarding the quantity of beans in the claim. The claim is documented
2 by scale tickets and a DBC dated October 16, 2012. The DBC has a “signature” for Chuck
3 Nelson “phone w/ Chuck” and “Nelson Farms by Charles B. Nelson.” Chuck Nelson
4 testified that he signed the DBC. A PLMA dated September 29, 2013 has the alleged
5 signature of “Chuck Nelson.” The signature on the DBC is not consistent or the same as
6 the signature on the PLMA. The original claim filed by Chuck Nelson included the PLMA
7 but was provided to him by the PSC.

8 [¶ 40] The DBC is an enforceable contract. The DBC does not meet the requirements of a
9 credit-sale contract because it does not contain the notice required by subsection 7 of § 60-
10 02-19.1.

11 [¶ 41] The statute of frauds required these transactions to be in writing and signed to be
12 valid contracts; a valid contract is a prerequisite to a credit-sale contract. The PLMA does
13 not have a signature for Chuck Nelson. The finding that Chuck Nelson did not sign the
14 agreement is supported by his testimony, other documents having been executed “per
15 phone call,” other documents having been executed by individuals who did not have
16 authority to sign documents and the false “signature” of Brad Nelson on the PLMA dated
17 after Brad Nelson’s death.

18 [¶ 42] The DBC is a valid contract but not sufficient to satisfy the definition of a credit-
19 sale contract because it does not contain notice that the statutory bond does not apply.
20 However, whether the PLMA acted as a modification of the DBC must be examined.
21 Modification of the DBC is governed by N.D.C.C. § 41-02-0-16 which reads as follows:
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23 **41-02-16. (2-209) Modification, rescission, and waiver.**

- 24 1. An agreement modifying a contract within this
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- chapter needs no consideration to be binding.
- 2. A signed agreement which excludes modification or rescission except by a signed writing cannot be otherwise modified or rescinded, but except as between merchants such a requirement on a form supplied by the merchant must be separately signed by the other party.
- 3. The requirements of the statute of frauds section of this chapter (section 41-02-08) must be satisfied if the contract as modified is within its provisions.
- 4. Although an attempt at modification or rescission does not satisfy the requirements of subsection 2 or 3, it can operate as a waiver.
- 5. A party who has made a waiver affecting an executory portion of the contract may retract the waiver by reasonable notification received by the other party that strict performance will be required of any term waived, unless the retraction would be unjust in view of a material change of position in reliance on the waiver.

[¶ 43] The PLMA as a modification did not require additional consideration. § 41-02-16(1). However, the PLMA did not act as a modification of the DBC because it was unsigned and does not satisfy an alternative to the signature requirement. Chuck Nelson testified he had not seen the PLMA until it was given to him by the PSC. Insufficient evidence was provided to conclude Chuck Nelson received the PLMA before it was provided by the PSC. Although the PLMA was attached to his claim, the attachment was not an admission he signed or was in agreement with the terms.

[¶ 44] Although not required, the evidence produced at the hearing is consistent with a determination that the parties did not have a credit-sale relationship. Chuck Nelson delivered beans and received payment for the amount in the DBC. After delivery and payment he was simply waiting to be compensated for the overage; beans delivered in

1 excess of the amount in the DBC. Although not a credit-sale the overage was being
2 marketed by Grand Forks Bean for Chuck Nelson.

3 f. WJS Nelson.

4 [¶ 45] WJS Nelson submitted a claim based on a quantity of 1,675 cwt. of beans. There is
5 no dispute regarding the quantity of beans in the claim. The claim is documented by scale
6 tickets. WJS Nelson did not sign either a DBC or PLMA and no evidence was provided to
7 support a finding that WJS Nelson had received either a DBC or PLMA as a follow-up to
8 oral communications. The scale tickets do not satisfy the requirements of a credit-sale
9 contract.

10 g. Nicholas E. Adams.

11 [¶ 46] Nicholas Adams submitted a claim based on a quantity of 908.55 cwt. of beans.
12 There is no dispute regarding the quantity of beans in the claim. The claim is documented
13 by scale tickets and a PLMA. The PLMA is dated November 27, 2013 and has the
14 signature of "Nick Adams." Nicholas Adams denies that he signed the PLMA or that he
15 authorized anyone else to sign the PLMA.

16 [¶ 47] The statute of frauds required these transactions to be in writing and signed to be
17 valid contracts; a valid contract is a prerequisite to a credit-sale contract. Nicholas Adams
18 did not sign the agreement. The finding that Nicholas Adams did not sign the agreement is
19 supported by his testimony, other documents having been executed "per phone call," other
20 documents having been executed by individuals who did not have authority to sign
21 documents, and the false "signature" of Brad Nelson on the PLMA dated after Brad
22 Nelson's death.

23 [¶ 48] With regard to the alternative "signature" provisions of § 41-02-08 there is no
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1 evidence the PLMA was ever transmitted to Nicholas Adams; he specifically claims he
2 obtained a copy from the PSC and his testimony is credible. See, N.D.C.C. § 41-02-08(2).
3 Insufficient evidence was provided to conclude Nicholas Adams has made admissions that
4 this was a credit-sale transaction, that the goods were specially manufactured, or that the
5 payment exception applies. See, N.D.C.C. § 41-02-08(3).

6 h. Ronald E. Adams.

7 [¶ 49] Ronald Adams submitted a claim based on a quantity of 7,778.24 cwt. of beans.
8 There is no dispute regarding the quantity of beans in the claim. The claim is documented
9 by scale tickets and two PLMAs. The PLMAs are both dated November 27, 2013 and have
10 the purported signature of Ronald Adams. Ronald Adams denies that he signed the PLMAs
11 and denies that he provided authority to anyone else to sign on his behalf.

12 [¶ 50] The statute of frauds required these transactions to be in writing and signed to be
13 valid contracts; a valid contract is a prerequisite to a credit-sale contract. Ronald Adams
14 did not sign the agreements. The finding that Ronald Adams did not sign the agreements is
15 supported by his testimony, other documents having been executed “per phone call,” other
16 documents having been executed by individuals who did not have authority to sign
17 documents, and the false “signature” of Brad Nelson on the PLMA dated after Brad
18 Nelson’s death. Therefore, Ronald Adams did not enter into a credit-sale contract.

19 [¶ 51] With regard to the alternative “signature” provisions of § 41-02-08 there is no
20 evidence the PLMAs were ever transmitted to Ronald Adams; copies were found in Grand
21 Forks Bean’s files. See, N.D.C.C. § 41-02-08(2). Insufficient evidence was provided to
22 conclude Ronald Adams has made admissions that this was a credit-sale transaction, that
23 the goods were specially manufactured or that the payment exception applies. N.D.C.C. §
24

1 41-02-08(3).

2 4. The Growers are Receiptholders.

3 [¶ 52] Bremer asserts that a number of the Growers are not “receiptholders” as required to
4 participate in the distribution of trust fund assets. Bremer argues that several Growers are
5 not receiptholders because they failed to convert their scale tickets into either warehouse
6 receipts or sale contracts. Bremer’s argument relies upon its interpretation of N.D.C.C. §
7 60-02-11(1)(b) which requires the following:

8 All scale tickets must be converted into cash, noncredit-sale
9 contracts, credit-sale contracts, or warehouse receipts, within
10 forty-five days after the grain is delivered to the warehouse,
11 unless:

- 12 (1) The person to whom the scale ticket is issued signs a
13 form waiving all rights to trust benefits under section
14 60-04-03.1;
- 15 (2) The form identifies by number each scale ticket to
16 which the waiver applies; and
- 17 (3) The form is signed by the warehouseman.

18 [¶ 53] Bremer’s argument is misplaced for several reasons. First, “failure to convert scale
19 tickets into either cash or storage tickets as required by § 60-02-11, N.D.C.C., does not
20 result in a loss to the producers, but constitutes a violation by the warehouseman”
21 North Dakota Public Service Commission v. Central States Grain, Inc., 371 N.W.2d 767,
22 778 (N.D. 1985). Any failure to convert scale tickets into some other form of document
23 does not adversely impact the Growers. This interpretation is consistent with Bremer’s
24 argument Chapter 60-02 is directed toward regulating warehouses and the earlier finding in
25 this order that § 60-02-19.1 does not define a credit-sale contract but imposes regulation on
warehouseman.

[¶ 54] Second, “receipts” are defined by N.D.C.C. § 60-04-01(6). Section 60-04-01(6)

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reads as follows:

"Receipts" means grain warehouse receipts, scale tickets, checks, or other memoranda given by a public warehouseman for, or as evidence of, the receipt, storage, or sale of grain except when such memoranda was received as a result of a credit-sale contract.

Scale tickets are clearly within the definition of "receipts" and in particular the broad category of "other memoranda given by a public warehouseman for, or as evidence of, the receipt, storage, or sale of grain . . ." The Growers holding scale tickets are receiptholders, excluding the Growers determined to have entered into credit-sale contracts.

D. THE INSOLVENCY DATE IS OCTOBER 15, 2013.

[¶ 55] The date that Grand Forks Bean became insolvent is in dispute. The insolvency date is important because it is the date on which the market price for the beans delivered but not sold by the Growers who are receiptholders and allowed to participate in distribution of the trust fund is determined. Although the parties disagree on the insolvency date, there is not a dispute regarding the market price for the beans once there has been a determination of the insolvency date. Additionally, a reasonable interpretation of the statutory structure is that there can be only one insolvency date measured from the first insolvency event relevant to the current proceedings.

1. Insolvency for these Proceedings is Defined by N.D.C.C. § 60-04-02.

[¶ 56] The parties all agree that the determination of the insolvency date is governed by N.D.C.C. § 60-04-02. Section 60-04-02 reads as follows:

60-04-02. Insolvency of warehouseman.

A licensee is insolvent when the licensee refuses, neglects, or