

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1369

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Halliwell
Operator's Signature

10/3/03
Date

2003 HOUSE FINANCE AND TAXATION

HB 1369

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dennis Halliwell
Operator's Signature

10/3/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1369

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 27, 2003

Tape Number	Side A	Side B	Meter #
1	X		13.1
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. WESLEY BELTER, CHAIRMAN Called the hearing to order.

REP. KENTON ONSTAD, DIST. 4 Introduced the bill. See written testimony plus amendments to the bill, an ag commodity processing investment report form and an offering memorandum.

REP. BELTER You mentioned in your initial comments that it was a tax credit, is that in the amendments?

REP. ONSTAD It is in the bill, it was at twenty percent, then changed to thirty.

REP. BELTER Asked if the fiscal note was prepared before the amendments?

REP. ONSTAD Yes, the only real fiscal note here would be the Bank of North Dakota. In visiting with them, it would really be minimal, it would just be setting up a basic funding mechanism.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hall
Operator's Signature

10/3/03
Date

Page 2
House Finance and Taxation Committee
Bill/Resolution Number HB 1369
Hearing Date January 27, 2003

REP. KLEIN Referred to the testimony, you related to letting in certain entities, what is it letting in that wasn't in before?

REP. ONSTAD The original bill references the bonds, and issuance of bonds and how that would be related. We just take away that portion of it. An entity can make an investment. We would like to put dollars in your project, but we would like some guarantees. We would also like to be taken out of it in approximately seven to ten years.

REP. BELTER Why funnel these entities through the Bank of North Dakota, why not just let them make their investment directly into the value added projects?

REP. ONSTAD Because of some state laws, corporate farming, for example. Related to his dairy, it sometimes eliminates some people to become a participant, they would rather come in as a business, and not as an individual. This provides a tool that they can come through the Bank of North Dakota, and the Bank of North Dakota makes those adjustments on behalf of that business.

REP. BELTER Are we not, in a sense, circumventing our corporate farming laws?

REP. ONSTAD I don't believe so. They come in as a class B member, they have a special ranges, they can have deferred status. The majority has to be ag producers. In our particular situation, we had a bank come in and make a substantial investment.

REP. CLARK Don't you have to be ag involved in anyway?

REP. ONSTAD That is the reason we are applying this mechanism, because if you limit it just to the ag sector, sometimes you can't get enough dollars in the project. A partnership allows for both producers and non producers to be a part of your entity.

REP. GROSZ What is the average rate of return on such an investment.

Page 3
House Finance and Taxation Committee
Bill/Resolution Number HB 1369
Hearing Date January 27, 2003

REP. ONSTAD It depends on the product. Some will show over a seven year period or a nine year period, maybe fifteen percent, or a seven percent rate of return. In a start up business, a lot of times there is no return for the first couple of years, but in the third or fourth year it starts.

ROGER JOHNSON, STATE AGRICULTURAL COMMISSIONER Testified in support of the bill. He stated he wasn't aware of the amendments to the bill. We need more tools for investments in value added ventures. In my recollection, this was a bill that passed both houses, four years ago, and was vetoed over the bonding provision and the concern that the State of North Dakota may be obligated. That was not my reading of the bill. I haven't seen the amendments, I am not prepared to comment on them.

REP. KLEIN With the bonding portion taken out, I don't see how effective this will be?

ROGER JOHNSON You would still have the tax credit. I haven't thought through the trust fund and how that will be used without the bonding authority as part of it. Presumably, you could have a business, who would want to invest in this value added venture, and rather than make the investment directly, they would simply make the investment to the trust fund at the bank and the dollars would be managed by APUC, in conjunction with the project. You still would have two tools.

REP. BELTER In a sense, what we are doing here, because of our corporate farming laws, we are eliminating potential investors from getting this value added, and this bill is strictly a mechanism to circumvent the corporate laws.

ROGER JOHNSON I understand your concern, in fact, my recollection tells me that it was this very bill that, four years ago, both the Farmers Union and Farm Bureau stood up in favor of it, saying it was a neat thing to have this kind of break through in the farm organizations, saying

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Donna Hallworth
Operator's Signature

10/3/03
Date

Page 4
House Finance and Taxation Committee
Bill/Resolution Number HB 1369
Hearing Date January 27, 2003

they would support this kind of investment. As I understand it, as the bill is written here, you would still have the organizing structure of the value added venture in a position to say how much equity could come from wherever, and the oversight from the Bank of North Dakota or the Industrial Commission through the Bank of North Dakota, as well as APUC.

**BILL PATRIE REPRESENTING THE NORTH DAKOTA ASSOCIATION OF RURAL
ELECTRIC COOPERATIVES**

Testified in support of the bill. He stated, the conflict that occurs on value added enterprises which deals with North Dakota law is, there are two conflicts. The first, is if it is an incidence of farming, such as a dairy operation, corporations, themselves, cannot invest in it. If it is not involved in farming, such as just processing a product, anyone can invest. It is only a problem part of the time. The real problem HB 1369 seeks to address is, how do you find investors in the first place, the non farmer investors. When this bill was first discussed, we wanted to aggregate a definite interest in value added processing across the state. So, the idea of a farmer's equity trust fund was aimed at those people in North Dakota, those potential investors, who may no longer be farming, but still have an interest in it. There are lots of those folks around, and they may have a couple hundred thousand dollars in C D's. Gave an explanation of applying for value added investments.

REP. HEADLAND A person seeking this type of investment, would receive a return on his investment in the form of an interest rate, and he would also have thirty percent tax credit on the gain of that interest rate?

BILL PATRIE With the record of the value added, in the past, do you really see anybody utilizing this?

Deanna Hallworth
Operator's Signature

10/3/03
Date

Page 5
House Finance and Taxation Committee
Bill/Resolution Number HB 1369
Hearing Date January 27, 2003

BILL PATRIE To look at the spirit of what's been done in the last twelve years, it has been around value added enterprises, we list one hundred four of those investments which have been made, worth about six hundred million dollars of equity invested in debt. There has been a lot of activity. The ones you hear about are the ones that are failing or have failed. You have to look at the broad spectrum. The idea, on this project, to create an aggregate, of bonds that could be invested and get a professional group to place those investments.

REP. BELTER You made the comment about the ag utilization committee reviewing these projects, what makes you think that particular committee, and they are all fine outstanding individuals who serve on that, what your comments would imply is that they know something all the rest of us don't know, that is going to make this a wise investment.

BILL PATRIE Yes, I do think they know something the rest of us don't know. He stated he used to serve with the executive director of the utilization commission for a number of years, and the reason they know is, they have funded, over the last twenty years, hundreds and hundreds of feasibility studies. They have, in their corporate memory, a strong idea of what doesn't work. It would be very good to apply that wisdom when you are making that investment in the first place. At the current moment, APUC goes up to the jumping off point, where other investors come in. Speaking about one other issue which is absolutely critical, projects don't succeed and fail simply because of their business plan and their feasibility study. They almost always succeed or fail because of the fire in the belly of someone who really wants to make them work, and the character and the management and leadership that is placed in that enterprise.

BRIAN KRAMER, NORTH DAKOTA FARM BUREAU Testified in support of the bill.

In looking at this bill, I think it is an attempt to provide some more equity opportunities for

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Donna Hall
Operator's Signature

10/3/03
Date

Page 6
House Finance and Taxation Committee
Bill/Resolution Number HB 1369
Hearing Date January 27, 2003

expansion into agricultural areas and from that standpoint we support the bill. The question was raised whether or not people would invest. I think there is a lot of agricultural history in North Dakota, and a lot of people have made substantial money in agriculture, who may be willing to invest those dollars back into the state and that industry.

REP. BELTER TO BOB HUMAN, BANK OF NORTH DAKOTA What exposure do you see in this to the bank and ultimately to the state of North Dakota?

BOB HUMAN Answered, stating as they looked at the bill, but had not seen the amendments until this morning, they envision this account to be a pass through account. He stated he was hearing to conflicting versions, where investors would invest money into this fund and it would be a pool, and then those dollars would go toward equity in some value added processing facility or else we have an investor identify a processor then pass the money to this fund. As I see this, from the Bank of North Dakota, it will be more of an administrative role. We will just be passing funds through and doing paper work. We will charge some type of a fee to those investors for that paper work.

With no further testimony, the hearing was closed.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Donna Hall
Operator's Signature

10/3/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1369

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 5, 2003

Tape Number	Side A	Side B	Meter #
1		X	28.4
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

COMMITTEE ACTION

Amendment 30567.0102 was presented to committee members. This is the Onstad amendments plus Rep. Belter stated he had the Ag Products Utilization Commission removed and the Ag Promotion Board added.

REP. CLARK Made a motion to adopt the amendments as presented.

REP. KLEIN Second the motion. Motion carried by voice vote.

REP. CLARK Made a motion for a **DO PASS AS AMENDED**.

REP. KLEIN Second the motion. **MOTION CARRIED**.

14 YES 0 NO 0 ABSENT

REP. NICHOLAS Was given the floor assignment.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hallworth
Operator's Signature

10/3/03
Date

FISCAL NOTE
Requested by Legislative Council
02/07/2003

Amendment to: HB 1369

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

It is not possible to estimate the fiscal effect of the tax credit and deduction provisions contained in Engrossed HB 1369.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	02/07/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dennis Hall
Operator's Signature

10/3/03
Date

FISCAL NOTE
Requested by Legislative Council
01/17/2003

Bill/Resolution No.: HB 1369

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Sections 3 through 6 of HB 1369 provide income tax credits for investments in qualifying bonds and tax deductions for interest earned on bonds in support of the farmers equity trust fund. There is no information available to use in computing the the fiscal effect of these tax provisions.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	01/24/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dorinda Hall
Operator's Signature

10/3/03
Date

Date: 2-5-03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1369

House FINANCE & TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 30567. 0102

Action Taken Do Pass as Amended

Motion Made By Rep. Clark Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	✓				
DROVDAL, VICE-CHAIR	✓				
CLARK	✓				
FROELICH	✓				
GROSZ	✓				
HEADLAND	✓				
IVERSON	✓				
KELSH	✓				
KLEIN	✓				
NICHOLAS	✓				
SCHMIDT	✓				
WEILER	✓				
WIKENHEISER	✓				
WINRICH	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Nicholas

If the vote is on an amendment, briefly indicate intent:

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Donna Hallmark
Operator's Signature

10/3/03
Date

REPORT OF STANDING COMMITTEE (410)
February 6, 2003 8:26 a.m.

Module No: HR-23-1781
Carrier: Nicholas
Insert LC: 30567.0102 Title: .0200

REPORT OF STANDING COMMITTEE

HB 1369: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1369 was placed on the Sixth order on the calendar.

Page 1, line 5, replace ", issuance of revenue bonds for" with "and"

Page 1, line 6, remove "support of the fund,", remove the second comma, and remove "in bonds and"

Page 1, line 7, remove "deductions for interest on bonds issued"

Page 1, replace lines 15 and 16 with:

"3. "Investment" means a purchase of an interest in the farmers equity trust fund."

Page 1, line 23, replace "agricultural products utilization commission" with "value-added agriculture promotion board"

Page 2, line 9, replace "Borrow money through the issuance and sale of bonds as provided in this chapter" with "Receive investments in the farmers equity trust fund"

Page 2, line 10, replace "its bonds" with "investments in the farmers equity trust fund"

Page 2, line 11, replace the second comma with a period

Page 2, replace lines 12 through 21 with:

"5. Authorize returns to investors on farmers equity trust fund investments at the times and in the manner the industrial commission determines to be prudent."

Page 2, line 22, replace "Agricultural products utilization commission" with "Value-added agriculture promotion board" and replace "agricultural" with "value-added agriculture promotion board"

Page 2, line 23, remove "products utilization commission"

Page 2, line 26, replace "commission" with "board"

Page 3, line 5, replace "agricultural" with "value-added agriculture promotion board"

Page 3, line 6, remove "products utilization commission"

Page 3, line 8, replace "agricultural products utilization commission" with "value-added agriculture promotion board" and remove "issuing and selling"

Page 3, line 9, remove "bonds and processing and"

Page 3, line 10, replace "The Bank may not issue a letter of credit for bonds issued under" with:

"4-42-06. Investments not guaranteed. Investments in the farmers equity trust fund are backed only by the balance in and obligations to the farmers equity trust fund. Investments under this chapter are not payable from or chargeable to any funds

(2) DESK, (3) COMM

Page No. 1

HR-23-1781

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date

10/3/03

REPORT OF STANDING COMMITTEE (410)
February 6, 2003 8:26 a.m.

Module No: HR-23-1781
Carrier: Nicholas
Insert LC: 30567.0102 Title: .0200

other than the farmers equity trust fund. The industrial commission and the Bank of North Dakota are not subject to any liability on investments in the farmers equity trust fund or loans or investments made from the farmers equity trust fund under this chapter."

Page 3, remove lines 11 through 31

Page 4, remove lines 1 through 31

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 8

Page 6, line 9, replace "4-42-14" with "4-42-07"

Page 6, line 10, remove "in bonds issued" and replace "for" with "in"

Page 6, line 13, replace "twenty" with "thirty" and remove "in bonds issued"

Page 6, line 14, remove "under this chapter"

Page 6, line 23, remove "in bonds issued"

Page 6, line 24, replace the first "for" with "in"

Page 7, line 1, remove "bonds issued under this chapter for"

Page 7, line 2, remove "A qualified investment must be in the form of a purchase"

Page 7, line 3, remove "of bonds issued under this chapter."

Page 7, line 4, replace "form of bond obligations" with "fund"

Page 7, line 7, replace "bonds issued" with "the investment"

Page 7, line 9, replace "4-42-15" with "4-42-08"

Page 7, line 12, replace "4-42-16" with "4-42-09"

Page 7, line 16, replace "bonds issued" with "investments in the farmers equity trust fund"

Page 7, line 17, replace "agricultural products utilization commission" with "value-added agriculture promotion board"

Page 7, line 22, replace "Bonds issued" with "Investments"

Page 7, line 25, replace "interest" with "returns"

Page 7, line 26, replace "bonds issued" with "investments" and replace "interest" with "those returns were"

Page 7, line 27, remove "was"

Page 8, line 1, replace "interest" with "returns"

Page 8, line 2, replace "bonds issued" with "investments" and replace "that interest" with "those returns were"

(2) DESK, (3) COMM

Page No. 2

HR-23-1781

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Donna Hall
Operator's Signature

10/3/03
Date

REPORT OF STANDING COMMITTEE (410)
February 6, 2003 8:26 a.m.

Module No: HR-23-1781
Carrier: Nicholas
Insert LC: 30567.0102 Title: .0200

Page 8, line 3, remove "was"

Page 8, line 6, replace "Interest Income from bonds issued" with "returns received by the taxpayer during the taxable year on investments" and after "4-42" insert "to the extent those returns were included in the taxpayer's federal taxable income"

Renumber accordingly

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Halliwell
Operator's Signature

10/3/03
Date

2003 SENATE FINANCE AND TAXATION

HB 1369

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Halliwell
Operator's Signature

10/3/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1369

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 18, 2003

Tape Number	Side A	Side B	Meter #
1		X	3810-end
2	X		1-500
Committee Clerk Signature <i>Mary Kay Skelton</i>			

Minutes:

Senator Urlacher opened the hearing on HB1369. All committee members are present. This bill relates to the establishment and operation of the farmers equity trust fund and investments and income tax credits for investments for support of the fund.

Representative Kenton Onstad (mtr #3850) - Introduced the bill and explained his reasons for supporting the bill. Went over the importance of value-added agricultural projects and the difficulties encountered when establishing these projects. Written testimony is attached.

Senator Nichols (mtr #4683) - How would an individual that would participate in this program be different from the types of individuals that invested in the dairy project in your area.

Representative Onstad (mtr #4740) - Explained the fund and how it would effect value-added projects.

Senator Tollefson (mtr #5178) - Question regarding the effective date in section 7 of the bill and the sections 2-6.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dennis Hall
Operator's Signature

10/3/03
Date

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number HB1369

Hearing Date March 18, 2003

Representative Onstad (mtr #5252) - Explained how the effective date works with the projects.

Senator Syverson (mtr #5350) - Under definitions of value-added agricultural projects, looking at the examples, vertically integrated enterprises, what is different with what your trying to establish with this bill vs. what we currently have in place and seems to be working in the state.

Representative Onstad (mtr #5439) - The definition is trying to make it more specific to livestock facilities. Gave further explanation of how this applies to hog operations and dairy operations.

Eric Aasmundstad, President, ND Farm Bureau (mtr #5800) - Supports the concept of investments in agriculture. But does not support what feels would be a state induced monopoly when it comes to this investment. Written testimony is attached.

Tape 2, Side A

Bob Humann, Senior VP Lending Bank of North Dakota (mtr #25) - Have reviewed the bill, only concern is administering the trust fund, exactly how the mechanics of that would work.

Referenced putting together a value-added project and the offering memorandum needed for the project. Feels it is really unclear how that offering memorandum would be put together for this trust fund, when talking about a wide range of projects. Are trying to get clarification from Securities Commissioner on how that would be handled. Have not determined that at this time. Concerned about the amount of information that will be in the memorandum for potential investors to look at, will there be enough information.

Senator Tollefson (mtr #109) - Of all the Ag related programs that the Bank of North Dakota administers, do you take equity positions in any of them?

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Donna M. Hall
Operator's Signature

10/3/03
Date

Page 3
Senate Finance and Taxation Committee
Bill/Resolution Number HB1369
Hearing Date March 18, 2003

Mr. Humann (mtr #125) - No, we do not. We provide loan dollars on a participation basis through a local lender. We do not take any equity position.

Senator Urlacher (mtr #164) - Still working on some solutions?

Mr. Humann (mtr #169) - I understand that they are. Mechanics have not been worked out.

Joe Becker, State Tax Department (mtr #208) - If is a work in process, we would ask to be included, we have a couple of minor concerns.

Tom Mayer, Assistant Attorney General, Attorney Generals Office (mtr #237) - Key concern is that, while this would allow the equity trust fund to purchase a security interest in family farm corporations, the existing family farm corporation act would not allow it to do so. Because of the definition of shareholders. Also raises the question, should the State of North Dakota be in the securities business. Securities Commissioners office perceives that this trust fund would be an issuer of securities. As such would have to register with the State Securities Commissioner and possibly with the Federal Securities Commission.

Senator Urlacher (mtr #500) - Given no further testimony, closed the hearing on HB1369 and adjourned the meeting.

March 19, 2003 Tape 1, Side A

Senator Urlacher (mtr #4015) - We are waiting for amendments for the farm equity trust.

Whether they will be forth coming or not, we are going to delay action until next week.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Donna Hall
Operator's Signature

10/3/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1369

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 24, 2003

Tape Number	Side A	Side B	Meter #
1		X	3515-3700
Committee Clerk Signature <i>Mary Kay Welling</i>			

Minutes:

Senator Urlacher opened the discussion on HB1369. All committee members are present. This bill relates to the establishment and operation of the farmers equity trust fund.

Senator Urlacher (mtr #3515) - Not sure whether there was a proposed amendment on this bill.

Senator Nichols (mtr #3555) - Visited with Representative Onstad this morning regarding this bill, seems to be a number of obstacles to the bill. He may be looking at trying to put something together for the future.

Senator Urlacher (mtr #3652) - Would he be willing to come in and explain the obstacles?

Senator Nichols (mtr #3660) - Will visit with Representative Onstad and have him come in to explain.

Senator Urlacher (mtr #3680) - Given no further discussion on HB1369. Adjourned the meeting.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Donna Hallmark
Operator's Signature

10/3/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1369

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 25, 2003

Tape Number	Side A	Side B	Meter #
1	X		25-1170
Committee Clerk Signature <i>[Signature]</i>			

Minutes:

Senator Urlacher opened the discussion on HB1369. All committee members are present. This bill relates to the establishment and operation of the farmers equity trust fund.

Representative Kenton Onstad (mtr #48) - When HB1369 passed the House, agencies became concerned with the administration of the bill. Format has to be set up with the Industrial Commission. One concern is that Bank of North Dakota is not a broker and would have to hire a broker.. Securities Commissioner concerned about the project being specific, fund would become more of a mutual fund. Attorney Generals Office had concerns about the legalities. The farm organizations liked the concept. Realizes that this bill needs to be improved on. Contested point is the difference between a value-added project and a farm.

Senator Urlacher (mtr #402) - Bill is ahead of it implementation and needs improvement before it can move forward.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

[Signature]
Operator's Signature

10/3/03
Date

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number HB1369

Hearing Date March 25, 2003

Representative Onstad (mtr #413) - Agreed, it needs improvements and we don't have the time to spend on it.

Senator Urlacher (mtr #564) - It is really dividing from a farm to a manufacturing project.

Representative Onstad (mtr #576) - Agreed, makes implementation a gray area. Gave further explanation about clarifying the purpose of the project.

Senator Nichols (mtr #714) - Do you think it is possible to fix this bill during this session or does it need to be done during the next couple of years.

Representative Onstad (mtr #739) - If passed as it is, it can be implemented. Concerned that it will not be used as it should be. Has technical problems and feels technical things should be worked out before going forward with this bill.

Senator Wardner moves a Do Not Pass. Second by Senator Nichols.

Roll call vote 6 yea, 0 nay, 0 absent. Carrier is Senator Nichols.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna M. Hall
Operator's Signature

10/3/03
Date

Date: 3-25-03
Roll Call Vote #: \

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HR 1319

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Sen. Loeffler Seconded By Sen. Nichols

Senators	Yes	No	Senators	Yes	No
Senator Urlacher - Chairman	<input checked="" type="checkbox"/>		Senator Nichols	<input checked="" type="checkbox"/>	
Senator Wardner - Vice Chairman	<input checked="" type="checkbox"/>		Senator Seymour	<input checked="" type="checkbox"/>	
Senator Syverson	<input checked="" type="checkbox"/>				
Senator Tollefson	<input checked="" type="checkbox"/>				

Total (Yes) 6 No 0

Absent _____

Floor Assignment Senator Nichols

If the vote is on an amendment, briefly indicate intent:

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dorinda Halliwell
Operator's Signature

10/3/03
Date

REPORT OF STANDING COMMITTEE (410)
March 25, 2003 12:47 p.m.

Module No: SR-53-5676
Carrier: Nichols
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
HB 1369, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman)
recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1369 was placed on the Fourteenth order on the calendar.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Halliwell
Operator's Signature

10/3/03
Date

2003 TESTIMONY

HB 1369

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Halliwell
Operator's Signature

10/3/03
Date

Testimony on HB 1369

Chairman Belter and members of the Finance and Taxation Committee

My name is Representative Kenton Onstad from District 4. I am here to provide testimony before this committee on HB 1369

HB 1369 would allow the Bank of North Dakota to establish and operate an Equity Trust fund. Moneys in this fund would be used to acquire ownership interest in value-added agricultural projects or for loans to value-added agricultural projects.

HB 1369 , trying to meet bill deadlines, was submitted knowing changes were going to be made. After visits with the Bank of North Dakota, we have eliminated any reference to bonding and only using this fund as a pass through fund operated by the Bank of North Dakota. The bonding efforts would be very cumbersome and how it could be implemented was in question. Therefore, I would like to discuss the bill as if amended and I have them before you.

If you have or have not been involved in a Value-added project, they are expensive and require adequate equity to generate the necessary loans available. Currently, the State of North Dakota does not have many vehicles to accomplish these efforts or raising the necessary dollars to create a Value-Added Project. I have been involved in a project in our area and visiting with other individuals in starting Value-Added Projects they concur in the difficulty of raising necessary funds. It is not from lack of interest but the lack of tools and incentives to attract substantial investment in a project.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dan Hallmark
Operator's Signature

10/3/03
Date

I would like to relate to my own experiences in these efforts. A project will initially select a model of governance; partnership, cooperative, sole proprietorship or corporation. Depending on your selection, it typically eliminates certain entities from making an investment in your project. HB 1369 helps provide a vehicle to allow those entities to become involved in your project.

The following steps are the start of a typical Value-Added Project--

- 1) Initial planning and feasibility study
- 2) establish a legal entity, create a business plan
- 3) Securities Commission will approve a public offering.

The offering circular will outline your project. Individuals or businesses through those efforts make the decision if they would like to make an investment in your project.

As I outlined earlier, certain businesses or individuals that want to make an investment are not allowed to make an investment in your project. HB 1369 gives the state a tool to help these groups or individuals to get involved in your project and help it raise the necessary equity needed.

I would urge this committee to seriously look at HB 1369 and urge a DO PASS recommendation. I will be happy to answer any questions you may have at this time.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Halliwell
Operator's Signature

10/3/03
Date

Ag commodity processing facility investment reporting form

Dakota agricultural commodity processing facility investment credit (N.D.C.C. ch. 57-38.6)

Purpose of form

This form facilitates the administration of the agriculture commodity processing facility investment tax credit allowed under N.D.C.C. ch. 57-38.6. A qualified business, as certified by the director of the Division of Economic Development and Finance (ND Department of Commerce), must complete and file this form for each qualified investment that it receives—see instructions for qualified business.

Tax credit

The tax credit is allowed to an individual on Form ND-1 or Form ND-2 (Optional method) and to an estate or trust on Form 38, Schedule 1 or 2 (Optional method). If a partnership makes an investment in a qualified business, the tax credit is determined at the partnership entity level and passed through to its partners—limited to individuals, estates, and trusts—in proportion to their respective interests in the partnership.

Amount of credit. The tax credit is equal to percent of the amount invested during the year, subject to the following:

- The credit is allowed only on the first \$20,000 invested during the tax year.
- No more than 50 percent of the allowable credit may be claimed in any tax year.
- The tax credit is limited to 50 percent of the tax liability for the tax year.
- The credit is first allowed in the tax year in which the investment date (as shown on this form) falls.

- The unused portion of the allowable credit may be carried forward for up to fifteen tax years.
- The investment for which the tax credit is allowed must remain in the qualified business for at least three years.

Recapture of credit. The tax credit will be disallowed and must be repaid (along with penalty and interest) if any of the conditions for the credit are not satisfied.

Instructions for qualified business

You must complete Parts 1 and 2 of this form. File a copy of the completed form with both the ND Office of State Tax Commissioner and the Division of Economic Development and Finance (ND Department of Commerce) within 30 days of the date on which you receive full payment of the purchase price for the investment.

Give two copies of the completed form to the investor—one to be attached to the investor's tax return and one for the investor's files. Keep a copy for your files.

An individual authorized to act on behalf of the qualified business must sign this form. To designate an authorized representative, such as an accountant or attorney, obtain and complete North Dakota Form 500 and file it with the Individual Income Tax Section, ND Office of State Tax Commissioner.

Instructions for investor

The qualified business must provide two copies of this form to you within 30 days of the date on which you fully pay the purchase price of your investment. To claim the tax credit, you must attach one of the copies to your North Dakota tax return. Keep the other copy for your records.

Assistance

Call

- 1-800-638-2901 or (701) 328-3450
- TDD/TTY users—Call Relay ND at 1-800-366-6888 (ask for 1-800-638-2901)

Write to

ND Office of State Tax Commissioner
State Capitol, 16th Floor
600 E. Boulevard Ave.
Bismarck, ND 58505-0599

E-mail

taxinfo@state.nd.us

Part 1—Investor information

Type of taxpayer: (check one) ☐ Individual (Form ND-1 or ND-2) ☐ Estate or trust (Form 38) ☐ Partnership (Form 58)

Name of investor

Social security number or FEIN

Address

City

State

ZIP code

Investment date—enter the date on which full payment of the purchase price for the investment was actually received by the qualified business

Investment amount—enter total amount paid for the investment \$

Part 2—Qualified business information

Name of qualified business

Federal employer identification number

City

State

ZIP code

Printed name of authorized representative

Title

Signature

Date

28214 (August 2001)

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date

Offering Memorandum
Name of Offeree: _____

Memorandum No: _____

OFFERING MEMORANDUM

OF

NORTHWESTERN DAIRY, LLLP
A North Dakota Limited Liability Limited Partnership
Parshall, North Dakota—Mountrail County

OFFERING DIRECTED TO NOT MORE THAN THIRTY-FIVE (35) PERSONS
TO PURCHASE CLASS A, CLASS B, AND/OR CLASS C SHARES

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA, NOR HAS THE COMMISSION OR THE STATE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION; HOWEVER, NEITHER THE COMMISSION NOR THE STATE COMMISSIONER HAVE MADE AN INDEPENDENT DETERMINATION THAT THESE SECURITIES ARE EXEMPT FROM REGISTRATION.

INVESTMENT IN SMALL BUSINESSES INVOLVES A HIGH DEGREE OF RISK, AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. RESTRICTIONS ON TRANSFER MAY APPLY. SEE "RISK FACTORS at p. 3."

THIS OFFERING IS RESTRICTED TO BONA-FIDE RESIDENTS OF NORTH DAKOTA ONLY.

<u>Price to Public</u> Per Unit \$1.00	<u>Sales Commission</u> None	<u>Proceeds to Company</u> Undetermined Amount
---	---------------------------------	---

The proceeds will be added to approximately 775,000 Units Previously offered by the company. This offering will close May 1, 2002. All funds may be utilized immediately for expenses and construction of the project. This offering is directed to no more the thirty-five (35) persons.

THIS ORIGINAL OFFERING MEMORANDUM IS DATED DECEMBER 20, 2001

THIS DOCUMENT WAS DELIVERED TO THE OFFEREE ON _____.

© Copyright 2001 by NorthWestern Dairy, LLLP, and McGee, Hankla, Backes & Dobrovolsky, P.C.
All rights reserved.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hallmark
Operator's Signature

10/3/03
Date

INTRODUCTORY STATEMENT

Purchasers and their representatives are urged to read carefully this Offering Memorandum. The discussions of the material terms of documents summarized herein are not complete and should not be relied upon by an investor without a complete reading of all relevant documents and a full understanding of their contents. Offerees, or their purchaser representatives, desiring additional information about the Partnership, this Offering, or any documents discussed in this Memorandum, should contact Kenton Onstad at 3515 66th Ave NW, Parshall, North Dakota, 58770, Telephone: 701-862-3445. In order to purchase the Partnership Units, investors or their purchaser representatives, if any, will be asked to represent that they were given the opportunity to obtain such additional information and that they either did so or elected to waive such opportunity.

THIS MEMORANDUM CONTAINS ALL THE REPRESENTATIONS BY THE PARTNERSHIP CONCERNING THIS OFFERING, AND NO PERSON SHALL MAKE DIFFERENT OR BROADER STATEMENTS THAN THOSE CONTAINED HEREIN. INVESTORS ARE CAUTIONED NOT TO RELY UPON ANY INFORMATION NOT EXPRESSLY SET FORTH IN THIS MEMORANDUM.

THE OFFERING PRICE FOR THE CLASS A PARTNERSHIP UNITS, CLASS B PARTNERSHIP UNITS, AND CLASS C PARTNERSHIP UNITS (COLLECTIVELY REFERRED TO AS "PARTNERSHIP UNITS" OR "UNITS") WAS ARBITRARILY DETERMINED BY THE PARTNERSHIP. THERE IS NO PUBLIC MARKET FOR THE PARTNERSHIP UNITS, AND THERE CAN BE NO ASSURANCE THAT A MARKET FOR THE UNITS WILL EVER EXIST. AN INVESTOR MUST PURCHASE THE UNITS OFFERED HEREBY FOR HIS OR HER OWN ACCOUNT AND MUST ASSUME THE ECONOMIC RISK OF INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS OFFERING CONSTITUTES AN OFFER ONLY TO THE PERSON NAMED ON THE COVER PAGE HEREOF AND NOT TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION OR IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL OR NOT AUTHORIZED. THE PARTNERSHIP UNITS ARE AVAILABLE FOR SALE ONLY TO PERSONS WHO ACQUIRE THE UNITS FOR INVESTMENT AND NOT FOR RESALE AND WHO ARE OTHERWISE DEEMED ELIGIBLE TO PARTICIPATE IN THIS PLACEMENT UNDER THE CRITERIA SET FORTH IN THIS OFFERING.

THE PARTNERSHIP RESERVES THE RIGHT TO CANCEL ANY SALE OF PARTNERSHIP UNITS, IF SUCH SALE, IN OPINION OF THE PARTNERSHIP AND ITS COUNSEL, MAY VIOLATE ANY FEDERAL OR STATE SECURITIES LAWS. THE DELIVERY OF THIS OFFERING, AT ANY TIME, DOES NOT IMPLY, NOR SHOULD IT BE CONSIDERED TO IMPLY, THAT THE INFORMATION CONTAINED IN THIS OFFERING IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER APPLICABLE SECURITIES LAWS, PURSUANT TO

ii

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hallmark
Operator's Signature

10/3/03
Date

REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY.

[THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

III

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dennis Hall
Operator's Signature

10/3/03
Date

TABLE OF CONTENTS

INTRODUCTORY STATEMENT.....	ii
OFFERING CIRCULAR SUMMARY.....	1
<u>North Western Dairy, LLLP</u>	1
<u>Brief Statement of Tax and Legal Attributes of a LLLP</u>	1
<u>The Offering</u>	1
<u>Grower Contracts</u>	2
<u>Risk Factors To Be Considered</u>	2
<u>Description of Partnership Units</u>	2
SUITABILITY CRITERIA FOR INVESTORS.....	3
RISK FACTORS.....	3
<u>Introduction</u>	3
<u>Lack of Experience and Operating History</u>	4
<u>Variances From Forecast: Market Factors</u>	4
<u>Government Regulations</u>	4
<u>Voting Rights of Units</u>	5
<u>Environmental Compliance</u>	5
<u>Management</u>	5
<u>Disease</u>	5
<u>Need for Additional Capital</u>	6
<u>Taxable Income in Excess of Cash Proceeds</u>	6
<u>Federal Tax Risks - General</u>	6
<u>Significant Start-Up Difficulties: Availability of Debt Financing: Changing Conditions</u>	6
<u>Class A Partners' Obligations</u>	7
<u>Limited Transferability</u>	7
<u>Arbitrary Determination of Offering Price</u>	8
SOURCES AND USES OF PROCEEDS.....	8
<u>Sources</u>	8
<u>Anticipated Uses</u>	9
DESCRIPTION OF BUSINESS.....	10
<u>History of the Partnership</u>	10
<u>Reasons For The Project</u>	11
<u>Advantages of Large-Scale Dairy Units</u>	12
<u>Strengths and Advantages of Northwestern North Dakota</u>	12
<u>Property and Processing Facilities</u>	12
<u>Operations and Production</u>	14
<u>Markets and Sales Information</u>	15
<u>Competition</u>	15
<u>Employees</u>	16
<u>Government Regulations</u>	16
MANAGEMENT AND SUPPORT TEAM.....	16
<u>Management Committee</u>	16
<u>Operations' Management</u>	17
<u>Compensation Agreement</u>	19
DISTRIBUTION OF EARNINGS; ALLOCATIONS.....	19
GROWER CONTRACTS.....	19
CLASS C PARTNERSHIP UNITS.....	21
SUMMARY OF PARTNERSHIP AGREEMENT.....	21
<u>Power of Attorney (Section 2.2)</u>	21
<u>Voting Rights (Sections 5.2 and 5.3)</u>	21
<u>Partnership Interests (Article V)</u>	22
<u>Conflict of Interest Policy (Section 5.8)</u>	22
<u>Capitalization of the Partnership (Article VI); Liability of Partners (Sections 5.4-5.7)</u>	23
<u>Allocations and Distributions (Article VII)</u>	23

<u>Management Committee; Managing Partner (Article VIII)</u>	23
<u>Transfer of Partnership Interest (Article X)</u>	24
<u>Dissolution (Article XI)</u>	24
<u>Liability and Indemnification of the Management Committee (Article XII)</u>	25
<u>Amendment (Article XIV)</u>	25
<u>Meeting Of. or Actions By. the Partners (Article XV)</u>	25
DESCRIPTION OF OFFERING AND PLAN OF DISTRIBUTION	25
PENDING LEGAL PROCEEDINGS	26
FEDERAL INCOME TAX CONSEQUENCES	26
<u>The Partnership</u>	26
<u>Federal Taxation of the Partnership and its Partners</u>	27
<u>Allocation of Income and Losses Among the Partners-Section 704</u>	27
<u>Tax Basis and Other Limitations and Loss Deductions</u>	27
<u>Limitations of Loss Deductions From Passive Activities</u>	27
<u>Limitations of Loss Deductions Under Section 465</u>	28
<u>Basis of Partnership Interests</u>	28
<u>Tax Returns and Tax Information</u>	29

v

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dennis Halliwell
Operator's Signature

10/3/03
Date

OFFERING CIRCULAR SUMMARY

This summary of certain provisions of this Offering Circular is intended only for quick reference and is not a complete presentation of all relevant facts. It is qualified in its entirety by the other information provided in this Offering Circular.

NorthWestern Dairy, LLLP

NorthWestern Dairy, LLLP (the "Partnership") is a development stage North Dakota limited liability limited partnership that plans to operate a large scale dairy farm in Mountrail County, North Dakota. The Partnership filed its Certificate of Limited Liability Limited Partnership with the North Dakota Secretary of State on June 6, 2000. Pending certain loan commitments, the dairy intends to begin construction of its facilities between March 1 and June 1 of 2002.

Brief Statement of Tax and Legal Attributes of a LLLP

A limited liability limited partnership has both corporate and partnership attributes. While providing limited liability for its partners (including the general partner), it allows income and losses to pass through to its partners and is subject to partnership tax laws. Under the Internal Revenue Code, no federal income tax is paid by a partnership. Rather, the partners of the partnership will be required to report on their federal income tax returns their share of all items of the partnership's income, gain, loss, deduction, credit and tax preference for any taxable year of the partnership without regard to whether such partners have received or will receive a cash distribution from the company. Thus, it is possible for a partner to be liable for federal income taxes and state income taxes resulting from the Partnership which exceeds the amounts distributed to that Partner from the Partnership.

The Offering

This offering is limited to no more than thirty-five persons who will enter the partnership on the same terms and same subscription rates as Partners who subscribed during a previous offering that closed April 30, 2001. In that previous offering, the Partnership offered 775,000 Partnership Units at a purchase price of \$1 per Unit. The Partnership Units offered included 460,000 Class A Limited Partnership Units ("Class A Units") and 315,000 Class B Limited Partnership Units ("Class B Units") and Class C Limited Partnership Units (Class C Units). In addition, one subscriber contributed \$2,000 and agreed to contribute at least \$18,000 worth of cows in the future in return for 18,000 units at the time of contribution of cows 2000 units for a cash contribution during the offering, for a total of 20,000 units to this subscriber.

In the present offering, a new potential Partner must subscribe for and purchase a minimum of either 10,000 Class A Units or 5,000 Class B Units. A Class C Partner must subscribe for and purchase a minimum of 5,000 Class C Units. Class A Units may be purchased only by agricultural producers who agree to enter into grower contracts for the production of forages and feed grains for delivery to the Partnership's dairy operation. Subscriptions for Class A Units after the maximum has been met will be rejected; provided, that such subscribers will be entitled to purchase available Class B Units. Class B Units may be purchased by any person, and have no

agricultural production rights or obligations. Class C Units may be purchased by government sponsored economic development agencies, utilities, cooperatives, and like organizations. Priorities for subscription of Units shall be determined based on time of receipt. The offering hereunder will terminate on May 1, 2002.

Grower Contracts

Each Partner subscribing for the purchase of Class A Units agrees under the Partnership Agreement to enter into Grower Contracts. (See "Grower Contracts" at p. 19). Each Partner holding a Class A Unit will be obligated to deliver forages/feed grains to the Partnership in proportion to the Class A Units held. The Grower Contracts will be effective for the year 2002 growing season if the Partnership obtains debt financing and raises equity capital in an amount sufficient to become operational. Grower contracts are limited in number and to specific forage/feed grains. Any person interested in a Class A Unit with associated Grower Contract should contact Kenton Onstad about available Grower Contracts. Once the Management Committee has determined that a sufficient number of contracts for specific forage/feed grains have been secured, the Management Committee may refuse to offer any further Class A Units associated with that class of forage/feed grains.

Risk Factors To Be Considered

The partnership Units offered hereby are speculative, involve a high degree of risk, and may not be appropriate for prospective Partners who cannot afford to lose their entire investment. A decision to purchase the Partnership Units subjects the purchaser to certain risks. Accordingly, a decision to purchase the Partnership Units may not be appropriate for persons who cannot afford to be subjected to such risks. (See "Risk Factors" at p. 3.) Each prospective purchaser should read and consider the risk factors in light of his/her/its own circumstances.

Description of Partnership Units

Each Partner shall be entitled to one (1) vote for each 10,000 Partnership Units owned (whether Class A, Class B, or Class C). Partners with less than 10,000 Partnership Units will not vote on any Partnership matters, except that all Partners, including those with less than 10,000 Units, may cumulate their voting power for election of members of the Management Committee. No other cumulation is allowed. Partners are thus rewarded for investments of at least \$10,000 through the extension of one full voting right for every 10,000 Units owned. At the same time, an investor, at the investor's option, can acquire non-voting Class B Units with a minimum investment of \$5,000, or may acquire or obtain voting rights for every 10,000 Units owned.

A Partner may, by proxy, designate another Partner to vote his or her Partnership Units on any matter presented to a vote of the Partners.

A Partner's Class A and Class B Units may be assigned, without a consent of any other Partner, to that Partner's spouse or child, or a family trust (or similar entity) established for the benefit of the Partner's immediate family, provided that any entity meets the requirements of the North Dakota and corporate and limited liability company farming law, and further provided, in the case of Class

A Units, that the transferee is a qualified potential Class A producer and provided the associated contract rights are also assigned. Non-family transfers of Class A and Class B Units are subject to a buy-sell agreement and right of first refusal process. Class C Units are transferable only as may be provided in the instrument evidencing ownership of such Units. (See "Summary of Partnership Agreement" at p. 21). Earnings are allocated and distributed based on the number of Units owned; provided that the Class C Units may possess different financial rights as negotiated by the parties. (See "Distribution of Earnings; Allocations" at p. 19 and "Class C Partnership Units" at p. 21).

SUITABILITY CRITERIA FOR INVESTORS

Purchase of Partnership Units offered hereby is suitable only for persons of adequate financial means who have no need for liquidity in this investment. Partnership Units will not be sold to any person or entity unless such prospective purchaser or purchaser's duly authorized representative shall have made certain representations in writing in the Subscription Agreement. The prospective purchaser's representations shall include, but not limited to, the following:

- A. The prospective purchaser is able to bear the economic risk of the investment for an indefinite period, and at the present time could afford a complete loss of his/her entire investment in the Partnership Units;
- B. The prospective purchaser has adequate means for providing for his/her current needs and personal contingencies and has no need for liquidity in his/her investment in the Partnership Units;
- C. The prospective purchaser's commitment to investments, which are not readily marketable, is not disproportionate to his/her net worth, and his/her investment in the Partnership Units will not cause such investment to become disproportionate;
- D. The prospective purchaser, either alone or with his/her advisors, has such knowledge and experience in financial and business matters, that he/she is capable of evaluating the merits and risks of this investment;
- E. Any subscriber which is not a natural person (corporations, limited liability companies, etc.) must not cause the Partnership to violate North Dakota's corporate farming laws.

The representations of the prospective purchasers will be reviewed to determine suitability and the Partnership will have the right to refuse a subscription of Partnership Units if, in its sole discretion, it or its counsel determines that the prospective purchaser does not meet the applicable suitability criteria or is otherwise an unsuitable investor.

RISK FACTORS

Introduction

Before purchasing any Partnership Units, prospective subscribers should consider all of the information and risks contained and discussed in this Offering Memorandum, and particularly

those set forth below. The financial results of the Partnership's projected operations and the forecasted payments made to its Partners may be directly and materially affected by many factors, including those discussed herein. The following factors should be considered by each prospective purchaser of Partnership Units in this Offering. However, there can be no assurance that the Partnership and its operations are not subject to additional or different risks.

Lack of Experience and Operating History

The Partnership is a newly formed entity with no operating history or experience in operating a dairy farm. Therefore, the success of the Partnership is heavily dependent upon the ability of the Management Committee to employ key personnel or a management firm to manage the Partnership's operations. The Management Committee has contracted with Kenton Onstad as the interim project coordinator. The Management Committee intends to retain a qualified and experienced project coordinator and dairy manager to provide general management services to the Partnership pertaining to further project development and operation of the dairy. (See "Description of Business" at p. 8 and "Management and Support Team" at p. 16). There are no assurances that effective management will be found, or that if found, that the Partnership will be able to retain the services of such management.

Variances From Forecast: Market Factors

The Financial Forecasts attached to this Offering Memorandum as Exhibit A are based on assumptions made and information gathered by the Partnership's Steering Committee. There are no assurances that the financial forecasts will prove to be accurate, and actual results may vary materially from the forecasts. The Partnership's operations, business results, and profitability will be subject to many factors over which the Partnership will have little or no control, including but not limited to: the market price of milk, market price of calves and cull cows, milk produced per cow, production costs, feed costs, sales and marketing costs, transportation costs, environmental compliance costs, changes in domestic and international agricultural and trade policies, and fluctuation of interest rates.

The Partnership intends to market its raw milk, calves, and cull cows into a commodity market. The Partnership also intends to market manure. There can be no assurances that the Partnership will obtain acceptable prices for these commodities. The price of raw milk is determined by federal milk marketing orders. That price is determined by reference to future markets on the Chicago Board of Trade. The Partnership has no control over the base milk price. Depending on future federal legislation, the dairy industry as a whole could be deregulated and the federal order system eliminated. It is possible that Congress will revise the current milk marketing order system in the future. Although the Partnership does not expect the anticipated changes to have an adverse impact on the Partnership, there can be no assurances that material adverse changes will not occur.

Government Regulations

The Partnership's activities will be subject to and impacted by government regulations which may have an impact on both its operations and its ability to market its products. For example, if federal legislation were to eliminate price supports in the federal order system, material price volatility in

the markets for the Partnership's milk products would likely result. United States governmental trade policy, as expressed in agreements and treaties such as the NAFTA and GATT, may also impact the Partnership's domestic and international markets. The effect of future legislation and trade policy on the Partnership and its operations and financial results cannot be predicted. There is no assurance that future legislation and trade policies will not have a material adverse impact on the financial performance of the Partnership.

Voting Rights of Units

Under the Partnership Agreement, each Partner receives one (1) vote for each 10,000 Units owned. Partners who own less than 10,000 Units may aggregate their Units with other Partners to establish voting rights. This structure may result in voting rights not proportional to Units owned. For example, a Partner who owns 15,000 Units would only be entitled to one (1) vote (a Partner owning 20,000 Units would be entitled to two (2) votes). This voting structure, and other issues involving the Partnership may be modified at the initial or subsequent annual meeting of Partners.

Environmental Compliance

Establishing and maintaining a large scale dairy herd requires compliance with numerous environmental laws. The Partnership intends to obtain permits and comply with all environmental requirements prior to starting construction. Federal, State, and Local regulations may change prior to permits being obtained. The Partnership may experience construction delays or unanticipated expenses in order to comply with the environmental regulations currently in place as well as any additional or modified regulations which could be adopted. Modification of environmental regulations, and the delays resulting from efforts to attain or maintain compliance with such regulations, could have adverse financial consequences on the Partnership. Compliance with environmental regulations in the future could increase costs of operations.

Management

The dairy production industry is very management intensive. The Partnership intends to retain a Dairy Manager to be responsible for the overall management of the Partnership's operations and the day-to-day activities of the dairy farm. Although the Partnership anticipates that the management system will be structured so that the head herds-person, and the Management Committee, will have adequate training to operate the facility with little interruption, the retirement, disability, or death of the Dairy Manager could have material adverse consequences on the Partnership.

Disease

One of the major concerns within the livestock industry is the spread of disease within the herd. The Partnership intends to implement a strong herd health program and a vaccination protocol to fight against disease and to build strong immunities within the herd. There can be no assurances that disease problems will not arise and have material adverse effects on the Partnership.

Need for Additional Capital

Although the Partnership believes that after the capital contributions contemplated by this offering and anticipated debt financing are in place it should have sufficient fixed asset capital and working capital to carry out its objectives, additional capital may be required to maintain and operate the Partnership. The Partnership Agreement does not obligate the Partners to contribute additional capital after the initial capital contributions, and there can be no assurances that capital required will be available upon acceptable terms when and as needed by the Partnership.

Taxable Income in Excess of Cash Proceeds

It is possible that during some years of the Partnership's operations, a Partner's share of the Partnership's income could exceed the cash distributions to that Partner from the Partnership. This will usually arise if or when the Partnership's income is used to repay borrowings or is retained by the Partnership (and is thus not distributed to the Partners) for future development requirements, working capital, or maintaining reserves. In such event, the cash distributions may not be sufficient to pay the federal and state income tax attributable to a Partner's share of the Partnership's income.

Federal Tax Risks - General

New developments in the tax laws which could affect the Partnership and its operations are occurring constantly. Thus, the Partnership and Partners may be affected on a prospective or retroactive basis by changes that may result from Congressional action, IRS rulings and regulations, or judicial decisions. Tax matters relating to the Partnership are complex. There are other tax related matters which may affect the Partnership that are discussed at page 26 of this Offering Memoranda. Due to limitations of space, remoteness, or theoretical nature of such risks, each prospective Partner should consult his or her own tax advisor with respect to the federal, state and local tax consequences of an investment in the Partnership.

Significant Start-Up Difficulties: Availability of Debt Financing; Changing Conditions

The Partnership's project (the "Project") may fail to come to fruition because of material adverse developments such as: failure to secure a financing package to develop and operate the facility, failure to obtain necessary permits, failure to obtain adequate equity, or other events. Without limiting the generality of the foregoing, the Partnership currently estimates that completion of the Project at the desired capacity of a 400 milking cow unit will require approximately \$1,254,837 of debt financing, in addition to approximately \$793,000, of equity capital (with \$18,000 worth of cows pledged by a subscriber pursuant to an agreement with the subscriber entered into during the Project's first equity drive, which is considered as part of the capital of the project).

Additional capital raised in this offering will increase equity capital to allow, depending the amount raised, one or more of the following as determined under the broad discretion of the Management Committee: purchase of additional cows and/or equipment, reduction of debt financing, building of one additional barn, expansion of feed facilities, increase in operating

capital, hiring of additional employees, and/or other alterations in the project springing from additional capital.

There can be no assurances to the Partnership that debt financing will be available or if available, that the debt financing will be on terms and conditions acceptable to the Partnership. If such debt financing is unavailable, or the terms of the same are unacceptable to the Partnership, the Partnership may not be able to complete the Project.

The Project is subject to changes in market conditions, governmental regulations, tax regulations, permits, and other factors which may change prospectively. Accordingly, the study done by the Partnership and all of its projections are and continue to be subject to changing conditions and assumptions. Market conditions may vary from those relied upon in the projections, thus reducing or eliminating any profits for the Project.

Class A Partners' Obligations

A Class A Partner must agree to execute Grower Contracts under which such Partner is obligated to deliver forages/feed grains to the Partnership. The Partner assumes all the normal risks of agricultural production in providing the feed commodities. The Grower Contracts make the grower responsible for one hundred percent (100%) of applicable "cover damages" (the difference, if any, in the market price of replacement commodities and the contract price) in the event that the grower is unable to satisfy his/her delivery obligations, unless the failure to deliver is due to an "Act of God" as determined in the sole discretion of the Management Committee in which case damages will be equal to seventy percent (70%) of the applicable cover damages. (See "Grower Contracts" at p. 19).

Grower contracts are limited in number and to specific forage/feed grains. Any person interested in a Class A Unit with associated Grower Contract should contact Kenton Onstad about available Grower Contracts. Once the Management Committee has determined that a sufficient number of contracts for specific forage/feed grains have been secured, the Management Committee may refuse to offer any further Class A Units associated with that class of forage/feed grains.

Limited Transferability

The Partnership Units cannot be transferred except upon compliance with applicable federal and state securities law and the applicable provisions of the Partnership Agreement. (See "Summary of Partnership Agreement" at p. 21). There is no existing market for the Partnership Units, nor can there be any assurances that such a market will develop. Class A Units can be transferred only to another qualified agricultural producer after providing a right of first refusal to the remaining Class A Partners and to the Partnership (except for transfers to the Partner's immediate and qualified family or family entity who also qualify as agricultural producers). The Class B Units are subject to a buy-sell agreement with the Partnership and, if the Partnership doesn't acquire the Units, the Units are then subject to a right of first refusal in favor of the Class B partners (except for transfers to the Partner's immediate and qualified family or family entity). Class C Units are not transferable unless the instrument evidencing ownership provides otherwise. A purchaser of

Partnership Units should, therefore, except to bear the economic risk of his or her investment for an indefinite period of time.

Arbitrary Determination of Offering Price

The offering price of Partnership Units offered hereby was determined arbitrarily by the Partnership and is not based upon the Partnership's earnings, book value, or any other established criteria of value. There can be no assurance that the Partnership Units can be sold in the future at the offering price, or at any price.

Secured Assets/Debt Financing

The Partnership anticipates that most or all of its real estate, structures, fixtures, machinery, equipment, tools, livestock, and other tangible property will be pledged as security to secure debt financing.

SOURCES AND USES OF PROCEEDS

Sources

To build a 400 milking cow facility, the Partnership previously offered \$775,000 worth of units to meet its equity capital needs. This offering was successful. In addition, one subscriber pledged \$18,000 worth of cows. Based on these amounts, the Partnership projected debt financing in the amount of \$1,254,837, for total projected capital of \$2,047,837 to launch the Project.

The Partnership's equity and debt financing and anticipated use of proceeds set forth below is based on a Project cost of \$2,047,837. Additional equity from this current offering may, depending on the amount raised, alter the project figures shown below. The Management Committee, in its broad discretion, will use additional equity capital from the present offering to no more than 35 persons, to do one or more of the following: purchase additional cows and/or equipment, reduce debt financing, build one additional barn, expand feed facilities, increase operating capital, hire additional employees, and/or otherwise alter the project.

The Partnership is currently in negotiations with certain lenders to secure debt financing for the remainder of the capital needed for the Project, but no loan commitments have been finalized. The Partnership believes, based on discussion with potential lenders, that a successful offering will supplement the already sufficient equity for lenders to commit the needed debt financing. The Partnership will not participate in major asset acquisitions until debt financing has been secured, unless a majority of the voting Units consent to such asset acquisitions at a duly constituted Partnership meeting. The anticipated sources of capital for the Partnership are as follows:

The anticipated use of proceeds of this Offering and the projected debt financing are as follows with adjustments from previous projections explained in footnotes following this chart:

Deanna Halliwell
Operator's Signature

10/3/03
Date

Anticipated Uses

Line-item asset list, loan and equity analysis (Year 1 Purchases)

Land Purchase (60 acres)	\$28,000	\$11,200
Land Subtotal	\$28,000	\$11,200
460 head of dairy cattle (400 milking)	\$575,000	\$230,000 ¹
Cattle Subtotal	\$575,000	\$230,000
Freestall Buildings	\$320,000	\$128,000
Parlor Building	\$180,000 ²	\$72,000
Hospital/Treatment/Dry Cow Barn	\$60,000	\$24,000
Commodity Shed	\$30,000	\$12,000
Gates/Chutes	\$35,000	\$14,000
Manure Lagoon & Settling Basins	\$82,500	\$33,000
Scale & Scale House	\$20,000	\$8,000
Loops & Mattresses	\$56,000	\$22,400
Electrical & Plumbing	\$69,000 ³	\$27,600
Grading & Excavation	\$60,830	\$24,332
Wells	\$5,000	\$2,000
Water Line	\$100,000 ⁴	\$13,865 ⁵
Generator (1)	\$0 ⁶	\$0
General Contractor	\$52,500	\$21,000
Engineering	\$2,000 ⁷	\$800
Contingencies (2%)	\$22,757	\$9,103
Building Subtotal	\$1,090,587	\$412,100

¹ A subscriber has agreed to contribute \$18,000 worth of cows which reduced the actual owner contributed cash of the previous offering \$212,000. The \$18,000 worth of cow contribution is included here as "owner contributed capital".

² After examining parlor designs, the Partnership has elected not to install a subway, or "basement", beneath the parlor for a cost savings of \$20,000. Modern trends in design appear to be moving away from subways.

³ Reservation Telephone Cooperative has agreed to grant \$10,000 worth of trenching and telecommunication and computer wiring for a costs savings of \$10,000.

⁴ The Partnership anticipates the potential development of a Rural Water District. If such a district is constituted, significant downward adjustment may be necessary to this figure. Accordingly, while no adjustment has been made to the cost of \$100,000 at this time, the owner contributed capital has been reduced from \$40,000 to \$13,865 to reflect that the development of such a line may require less in owner contributed capital.

⁵ See previous footnote.

⁶ Mountrail-Williams Electric Co-op REC has agreed to provide a generator in return for credit on distributive generation for a cost savings of \$15,000.

⁷ The Partnership has already paid \$20,000 in engineering fees from non-impounded funds contributed by the initial partners, grants, or other sources, for a costs savings of \$20,000.

Double 16 Equipment	\$202,500	\$81,000
Chill Tank	\$59,000	\$23,600
Parlor Subtotal	\$261,500	\$104,600
Skidsteer (2)	\$15,000	\$6,000
Wheel Loader (1)	\$0 ⁸	\$0
TMR Mixer/w Truck (1)	\$40,000	\$16,000
Truck Tractor (1)	\$0	\$0
Tractor (1)	\$0 ⁹	\$0
Stock Trailer (1)	\$5,000	\$2,000
Pickup (1)	\$15,000	\$6,000
Computer (1) & Software	\$5,000	\$2,000
Manure Pumps (1)	\$0	\$0
Ag Bagger (1)	\$0	\$0
Misc Equipment (5% of total)	\$7,750	\$3,100
Equipment Subtotal	\$87,750	\$35,100
Line of Credit	\$200,000	\$80,000
Operating Loan Subtotal	\$200,000	\$80,000
Assets/Total Less Operating Capital	\$2,047,837¹⁰	\$793,000

DESCRIPTION OF BUSINESS

History of the Partnership

The Partnership's certificate of LLLP was filed with the North Dakota Secretary of State on June 6, 2000 pursuant to the North Dakota Limited Liability Limited Partnership Statute. The Partnership is a limited liability limited partnership in which a Partner receives one (1) vote for each 10,000 Partnership Units owned (fractional votes are not allowed). Partners who own less than 10,000 Units may aggregate their Units with other Partners to obtain voting rights with respect to election of the management committee. No other aggregation is allowed.

⁸ The Magic Fund, City of Minot, North Dakota, is expected to contribute \$50,000 in funding that the Partnership intends to use to purchase a wheel loader for a costs savings of \$50,000.

⁹ The Star Fund, City of Williston, North Dakota, is expected to contribute \$25,000 in funding that the Partnership intends to use to purchase a tractor for a costs savings of \$25,000.

¹⁰ Total cost savings from the above adjustments total \$140,000.

The organizer of NorthWestern Dairy, LLLP, is Mountrail Dairy, LLP, ("Mountrail Dairy"). Mountrail Dairy will serve as the initial general partner of NorthWestern Dairy, LLLP, until such time as Mountrail Dairy elects to step aside, at which time the general partner will become an annually elected Management Committee. Mountrail Dairy is owned by the following persons or entities within Mountrail County:

Kenton Onstad
3515 66th Ave NW
Parshall, ND 58770

Roger Sorenson
5880 88th Ave NW
Ross, ND 58776

Loren Hoffman
PO Box 254
Parshall, ND 58770

Steven Hoff
7288 39th St NW
Parshall, ND 58770

James Goettle
7180 66th Ave NW
Donnybrook, ND 58734

Leo Ringeon
5547 65th Ave NW
Plaza, ND 58771

Jerry Wurtz
503 Berthold St
Plaza, ND 58771
(701) 497-3783

Nichols Farm, Inc.
Contact: Randy Nichols, President
508 71st Ave NW
Palermo, ND 58769

Gudbranson Farms
Contact: Kaye Linn Gudbranson, Partner
P.O. Box 997
New Town, ND 58763

The above noted persons and entities organized Mountrail Dairy to serve as the organization that would be responsible for the investigation and development phase of the business plan. After the formation of NorthWestern Dairy, LLLP, Mountrail Dairy became the sole member of the interim Management Committee of NorthWestern Dairy, LLLP.

All owners of Mountrail Dairy are also Limited Partners of NorthWestern Dairy, LLLP.

It is anticipated that Mountrail Dairy will resign from the Management Committee after efficient operations have been achieved. Thereafter, it is anticipated that the Management Committee of NorthWestern Dairy, LLLP will be elected by the Partners of NorthWestern Dairy, LLLP as set forth in the Partnership Agreement.

Reasons For The Project

The Partnership believes the Project will enhance the agricultural, rural, and community tax and employment base and will develop jobs and opportunities for the area in which the facility is located. Moreover, the dairy will enable farmers in this region to add value to their feed commodities. The completion of the Project is contingent upon raising sufficient equity and obtaining adequate debt financing.

Advantages of Large-Scale Dairy Units

Milk sold per cow, labor efficiency (cows per worker), pounds of milk sold per worker, herd size, and cost control are significant factors influencing dairy farm profitability. All information collected on large-scale dairies, which would be considered to be 500 cows or more, indicates that large-scale dairies have significant economies of size as compared to smaller dairies.

Strengths and Advantages of Northwestern North Dakota

The Partnership has identified numerous strengths and advantages of Northwestern North Dakota as a site for a large-scale dairy farm.

1. Feed Availability. Feed cost is the largest production expense for a dairy. Northwestern North Dakota has the ability to produce large quantities of high quality forages and feed grains without irrigation. This factor gives this region an advantage as compared to other milk producing regions.
2. Availability of Land and Other Natural Resources. A second advantage is a large land base to handle the high volumes of animal waste that will be produced on a large dairy farm. The cost of compliance with pollution control standards will likely increase in the future. A major advantage of Northwestern North Dakota as a dairy site is its very rural nature. The Partnership anticipates no or minimal impetus of pressure from growing metropolitan areas competing for land and water. The Partnership also anticipates less public pressure for the creation of stricter standards for noise and smell control as compared to states with more developed dairy regions. Other advantages of a site in Northwestern North Dakota include: (i) accommodating soils and topography; (ii) adequate supply of water; and (iii) adequate roads.
3. Climate. Northwestern North Dakota has an ideal climate for dairy farming. Dairy cows are able to withstand cold quite well if they are kept dry and protected from direct wind in the winter. Studies have shown that dairy cows will reach their peak production levels more consistently in a cooler climate.
4. Competitive Milk Prices in the Region. The market price for milk sold in the North Dakota market appears very competitive with prices received in other parts of the country. Currently, there appears to be an excess capacity on the processing side because of a limited supply of raw milk.

Property and Processing Facilities

NOTE: The partnership may be able to purchase additional bred heifers or established cows beyond that set forth below with additional equity capital raised in this offering. The Partnership may also be able to build one additional free-stall barn to increase the herd size. Finally, the partnership may be able to purchase additional equipment.

The Partnership anticipates initially procuring 400 bred heifers or established cows on behalf of its Partners, which will be calved such that 400 head begin milking in the first month of operations, increased in monthly increments of approximately 50 head per month over the next five (5) months. Ideally, bred animals will be purchased and delivered to the dairy 30 to 60 days prepartum beginning by April 1, 2002. Lactating cows will initially be milked two times daily, with average daily production expected to begin at 65 pounds of milk per cow; and in the sixth month will be milked three times daily with average daily production expected to begin at 68 pounds per cow. It is projected that the dairy will reach a herd average of 75 pounds of milk per cow, which is an achievable goal with a herd that is two-thirds multiparous. The Partnership anticipates purchasing another 160 heifers in time to replace cows dried up in anticipation of calving. The partnership also hopes to expand to 800 milking cows in year two of operations.

The Partnership has acquired an option on a 60-acre site three and one-half (3 1/2) miles north of Parshall, North Dakota. This site will be acquired from Gudbranson Farms (a member of Mountrail Dairy, LLP, and NorthWestern Dairy, LLLP) at a price of \$28,000. All permits will be filed with the state, federal, and local agencies for this site. The factors which were important to the site selection including the following:

1. The site must have a good water supply with a capacity of 50 gallons per minute, or rural water able to supply at least 50,000 gallons per day.
2. The topography of the land is important so that manure will gravity flow.
3. Good year-round roads with adequate load limits in the spring.
4. Three phase electricity is needed for efficient operation of large electric motors.
5. Close proximity to contract growers of forages.
6. A large base to spread manure.

The initial site could accommodate up to approximately 1,600 cows. The primary constraint on expansions at one location is environmental; particularly, the disposal of manure. Expansions beyond 1,600 cows, therefore, would result in additional facilities on the site or construction of other sites in the region.

The Partnership anticipates constructing facilities that will create a stress-free, comfortable atmosphere for the cows, which is important to reaching maximum production. Construction of the facilities will be done by quality contractors on a competitive basis.

The Partnership intends that the dairy herd will be housed in a natural air-flow, curtain sided, six-row freestall barn approximately 114 feet wide and 340 feet long with a center feed alley.

The Partnership anticipates that manure will be scraped each day and collected and stored in an earthen holding pond. The Partnership anticipates contracting with the owners of at least 1,500 acres to spread the manure of the dairy. Each field will have a certain spread rate determined by

the crop to be grown. The nutrient-up-take of the crop will be determined to calculate the amount of manure necessary to meet the nutrient requirements of the crop. The Partnership intends that that holding pond will be pumped two times a year in the spring and in the fall.

Other intended facilities include a maternity/special needs cow barn and a holding barn to the parlor. The Partnership anticipates that both of these barns will be curtain sided to take advantage of natural air ventilation, which is important to health and production of the milk cows.

To operate as a state-of-the-art milking facility, the Partnership anticipates procuring equipment that includes the latest technology available.

The Partnership anticipates purchasing heifers and cows according to a pre-planned stocking schedule, and long-term also anticipates using its own replacement heifers. The Partnership does not plan to manage the replacement heifer on site, but anticipates contracting out to area individuals. The Partnership projects that the stocking schedule will allow animals to be on site a minimum of thirty (30) days, and preferably sixty (60) days prior to freshening. The Partnership projects that the search for quality dairy animals will be an on-going process. The Partnership intends to establish specifications for each animal to be purchased.

Operations and Production

The Partnership plans that each lactating cow will be milked two times a day in the initial stages of the dairy. Once operations have reached desirable efficiency, the Partnership intends to increase milking to three times daily. This is anticipated to occur in month six of operations. The routine of cows needs to be very consistent. Each cow will go from the freestall barn into the holding area, then into the milking parlor. Upon completion of milking, the cow will go back to the freestall barn.

The Partnership intends to equip the milking parlor with an identification system that would identify each cow as she enters the parlor. After milking starts, the milk would then be metered and recorded. All information would then be transferred to the main computer. Other information would be available on each cow as a history is developed on the herd. Parlor technology can allow the Partnership to record information such as dairy production, number of days in milk, breeding date, milking time, health information, lactation peaks, number of days to achieve peak lactation and number of days in peak lactation was held. This information can be compared on a daily, monthly, and annual basis for each cow in the herd. The system would allow the Partnership the ability to closely manage the herd from a production and health standpoint.

With large volumes of milk being produced, handling and storage are very important. NorthWestern Dairy, LLLP, intends to utilize bulk tank storage. Milk is cooled and stored at 34 to 36 degrees in 6,000 gallon bulk tanks. The milk is then picked up and transported by independent milk haulers to the processor on a daily basis.

With the goal of achieving milk production to the level of the genetic potential of the cows, the Partnership intend that nutritional needs of the dairy cows will be analyzed weekly by trained

nutritionists hired by the Partnership. The Partnership anticipates that that dairy cows will be fed a total mixed ration combining all feed ingredients into one feeding.

Quality forages are essential to the production of quality raw milk. The Partnership's Grower Contracts with its Class A Partners will provide, according to projections, most of the its corn, corn silage, barley, field peas, alfalfa haylage and dry hay needs. All forages will be stored and packed on large cement slabs located on site near the dairy. Other feed ingredients will also be stored in commodity bins off site near the dairy.

To achieve the maximum production, it is important to maintain a healthy herd. A strict vaccination protocol will be followed prior to purchasing, and after each animal is on site. The Partnership intends to contract with veterinarians as needed.

Markets and Sales Information

Dairy producers sell their raw milk to processors, who in turn produce milk, cheese, and soft dairy products. Markets for raw milk are generally strong in the Upper Midwest, including the state of North Dakota. Due to the current state of milk production, major processors of milk products are generally operating below capacities, creating a competitive market for raw milk. This creates a negotiating advantage for large producers who can supply a consistent, large volume of quality milk to the processor. The Partnership currently has a signed letter of intent from Cass Clay, Mandan, North Dakota, to purchase all of the Partnership's milk. The Partnership has not yet signed any agreements.

The Partnership may negotiate with and market to other major processors within close proximity to the dairy. At present, the processors include:

1. Cass Clay, Mandan, North Dakota
2. Land O Lakes, Bismarck, North Dakota
3. Winger Cheese, Towner, North Dakota
5. Valley Queen, Millbank, South Dakota
6. Schulz's Creamery, Bismarck, North Dakota

Other processors may also be considered.

Competition

Within the dairy industry there are two types of competition, both of which will affect the financial performance of the Partnership.

First, there is a competition among processors to acquire market share within a geographical area. The more dairy products each processor can market at the wholesale and retail level, the greater the need for raw milk. The profitability of each processor, in turn, directly impacts the price of raw milk and the individual returns to the patrons selling to a cooperative processor.

Second, there is competition among producers. The stiffest competition for the Partnership is not considered to be the dairies in the Upper Midwest. Rather, it is likely to be the dairies of the West, Southwest, Northwest, Southeast, and East. With the ability to transport raw milk longer distances, it is becoming more feasible for these dairies to compete in this region. This competition erodes the security that each region once had. If the federal order system is eliminated, milk will move even more freely between regions creating even greater instability.

The Partnership must work within a milk price set for this geographical region, and be efficient enough to compete with dairy producers in other regions of the United States.

Employees

NOTE: Additional equity raised in this offering may increase the employee numbers set forth below.

The Partnership anticipates employing approximately nine (9) employees, including the manager during year one operations for a 400 cow operation and fifteen (15) employees, including the manager during year two operations, if the Partnership expands to 800 milking cows. If the Partnership elects in the future to expand the dairy to its full capacity of 1,600 cows, it is projected the Partnership could employ up to twenty-three (23) employees. The Partnership intends to contract for services as needed. The Partnership anticipates that qualified full-time employees will be provided health insurance, paid holidays, a vacation plan and other employee benefits as determined by the Partnership from time to time.

Government Regulations

The Partnership will be subject to extensive federal and state environmental laws and regulations with respect to water and air quality, disposal of manure, and odor control. The Partnership believes it will be in substantial compliance with applicable environmental laws and regulations. The Partnership cannot predict whether future changes in environmental laws or regulations might increase the cost of operating its facilities and conducting its business. Any such changes could have adverse financial consequences for the Partnership and its investors.

MANAGEMENT AND SUPPORT TEAM

Management Committee

Under the Partnership's Partnership Agreement, the Partnership will be managed by a Management Committee. The initial Management Committee will consist solely of a management company, which is Mountrail Dairy, LLP. A Partnership meeting will be scheduled upon the call of Mountrail Dairy, LLP, if and when it chooses, to elect Partners to the Management Committee and to conduct other business. Thereafter, Mountrail Dairy, LLP, anticipates relinquishing its role in the dairy management.

Mountrail Dairy, LLP, is comprised of the following individuals and entities:

Kenton Onstad
3515 66th Ave NW
Parshall, ND 58770

Roger Sorenson
5880 88th Ave NW
Ross, ND 58776
Loren Hoffman
PO Box 254
Parshall, ND 58770

Steven Hoff
7288 39th St NW
Parshall, ND 58770
James Goettle
7180 66th Ave NW
Donnybrook, ND 58734

Leo Ringeon
5547 65th Ave NW
Plaza, ND 58771

Jerry Wurtz
503 Berthold St
Plaza, ND 58771
(701) 497-3783

Nichols Farm, Inc.
Contact: Randy Nichols, President
508 71st Ave NW
Palermo, ND 58769

Gudbranson Farms
Contact: Kaye Linn Gudbranson, Partner
P.O. Box 997
New Town, ND 58763

Each of the above owners is an agricultural producer. The owners of Mountrail Dairy, LLP, have each also purchased at least one Class A Unit or two Class B Units prior to this offering. In addition, Mountrail Dairy, LLP, has purchased one Class B Unit.

Operations' Management

Kenton Onstad Age 48 - Mr. Kenton Onstad will be the Partnership's Managing Partner and will be responsible for the development during its equity drive and potentially the day-to-day operations of the dairy until a dairy manager is hired. Mr. Onstad presently farms near Parshall, North Dakota. He is currently a Director of Mountrail-Williams Electric. He is a 1975 graduate of Dickinson State University with B.S. in Mathematics. He is a former math instructor of Parshall High School.

Roger Sorenson Age 55 - Mr. Sorenson is currently acting as President of Mountrail Dairy, LLP, and it is anticipated he will continue to do so throughout the equity drive. Mr. Sorenson owns and operates a farm/ranch south of Ross, North Dakota. He raises small grains and commercial cattle. He attended the State School of Science for two years. He is a present member Algen Township Board, North Dakota Stockman's Association, and Stanley Rural Fire Department with 22 years as Fire Chief, and Mountrail-Williams Electric Cooperative Board for past five years. He is a member of Bethlehem Lutheran Church, Ross, North Dakota; and has past service on Church Council, Stanley-Tioga Farmers Union Oil Company Board with six years as Chairman, ASCS Community Committee, and Mountrail County Farm-to-Market Road Committee.

James Goettle Age 56 -- Mr. Goettle is a lifetime farmer/rancher from Donnybrook, North Dakota. He served on the Mountrail County Ag Improvement Association ten years and the FmHA Board nine years. He currently holds positions on the Mountrail County Atmospheric Resource Board and the Mountrail County Reorganization Committee. Mr. Goettle is a Vietnam Veteran with three tours of duty from 1965-69.

Loren Hoffman Age 50 -- Mr. Hoffman has been a small grain farmer since 1980 near Parshall, North Dakota. He's been the Parshall City Auditor since 1974. Mr. Hoffman is the present Chairman of Mountrail County Job Authority. He is also a present member of Mountrail County Planning/Zoning Commission. He is a 1973 graduate of Wahpeton State School of Science in Business Administration.

Gudbranson Farm -- A partnership owned by Kaye Gudbranson (age 53) and Debbie Baklenko (age 51). Kaye has experience as a secondary teacher, homemaker, and farm operator since 1994. Kaye has received a B.S. in Art and English. Kaye is currently a member of her church council. Debbie has experience as a sewing teacher, bank bookkeeper, sales and supplies for bookstore, and farm operator since 1994. Debbie received her B.S. in Art and Home Economics.

Steven M. Hoff Age 52 -- Mr. Hoff has been a ag producer for nearly 27 years. He was an educator for seven years and a real estate salesman for five years. Mr. Hoff holds a B.S. degree in Education from Minot State University. He is the current Chairman of the Parshall Township Board, a member of Dakota Quality Grain, a member of Mountrail County Ag Imp. Association, a former council member of First Lutheran Church, Parshall, and a Director of the Mountrail County Township Officers Association.

Leo Ringeon Age 67 -- Mr. Ringeon is a third generation farmer near Plaza. He was a dairy farmer for 40 years and has been a grain farmer for nearly 47 years. He has served on the Plaza School Board for 15 years, Soil Conservation Board for 15 years, ASCS for ten years, and Shellcreek Church Board for 25 years.

Jerry Wurtz Age 50 -- Mr. Wurtz is a Plaza area farmer of 28 years. Mr. Wurtz worked in construction in early 1970's. His education includes one and one-half (1½) years at UND Grand Forks, North Dakota. He has been the Mountrail County Irrigation Task Director. He has been the School Board President of Plaza Public School and has served on the Plaza Volunteer Fire Department. He is a past Farmers Union Oil Co. Director, past Plaza Park Board Director, past and present candidate for District 4 House of Representatives, and past First Lutheran Church Council Member.

Nichols Farm, Inc. Owned by Randy Nichols -- age 43. Mr. Nichols has been a farm operator for nearly 25 years near Stanley, North Dakota. He is a past employee of North Dakota Ag Mediation Service. Mr. Nichols attended college in Wahpeton in Ag Business Management. He is a past director of the North Dakota Young Farmer Rancher Board, a past board member of Stanley School Board (six years), and is currently Director of Stanley Rural Fire Department, Mountrail County Ag Imp. Association, and Stanley School's Adult Farm Management.

Compensation Agreement

The interim Management Committee has contracted with Kenton Onstad to provide hands-on development with respect to the dairy project. In return for his effort, the Management Committee agreed to pay him for his time as he submits it. The Management Committee anticipates continuing this contractual arrangement with Mr. Onstad through the conclusion of a successful equity offering and the hiring of a permanent Dairy Manager.

DISTRIBUTION OF EARNINGS; ALLOCATIONS

Distributions (as that term is defined in Section 1.4 (e) of the Partnership Agreement) will be made to each Partner in proportion to the partnership Units owned by the Partner; provided that the Class C Units may have different financial rights (as negotiated between the Partnership and each Class C Partner).

All items of net income, profits and gains of the Partnership shall be allocated as follows:

- (i) First, to the Partners in proportion to and to the extent of prior allocations of net losses and deductions made pursuant to the allocation of net losses and deductions provided below; and,
- (ii) The balance, if any, to each of the Partners in proportion to their respective Partnership Interest in the Partnership.

All items of net loss and deductions shall be allocated as follows:

- (i) First, to the Partners with positive capital account balances in proportion to their respective partnership Interest, but only to the extent of their respective positive capital account balances, and,
- (ii) The balance, if any, to the Partners in proportion to their respective Partnership Interest in the Partnership.

Again, the Partnership and Class C Partners may agree to special allocations as necessary to be consistent with the their respective agreements.

GROWER CONTRACTS

Concurrent with purchasing the Partnership Units offered hereunder, each Class A Partner agrees to enter into the Grower Contracts. The Grower Contracts are intended to protect the interests of the Partnership by insuring an adequate supply of feed for the dairy. It is also intended to benefit the Partners by insuring a local market for their feed commodities.

Each prospective Class A Partner is encouraged to study the Grower Contracts carefully before signing the Subscription Agreement. These Grower Contracts are available upon request to each

prospective Partner. Each prospective Partner should take the opportunity to question the Management Committee about the Agreement.

Grower contracts are limited in number and to specific forage/feed grains. Any person interested in a Class A Unit with associated Grower Contract should contact Kenton Onstad about available Grower Contracts. Once the Management Committee has determined that a sufficient number of contracts for specific forage/feed grains have been secured, the Management Committee may refuse to offer any further Class A Units associated with that class of forage/feed grains.

The following is a summary of the Grower Contracts and contracting procedures as stated in the Partnership Agreement:

1. Each of the Class A Partners will be required to deliver forages/feed grains to the Partnership in proportion to the Class A Units owned by the Partner. The Class A Partners will collectively agree on the allocation of delivery rights for corn, corn silage, barley, field peas, alfalfa, or other crops, as needed by the Partnership. In the event that the Partnership does not sell at least four hundred sixty thousand (460,000) Class A Partnership Units (46 contracts), the Partnership and the Class A subscribers will agree on the method of allocating acreage or allowing the Partnership to contract with non-partners.
2. The Partnership will require a commercially acceptable grade of forages/feed grains in accordance with standards to be established by the Partnership. The Partnership has the right to either reject or make deductions for substandard feed.
3. The Partner represents and warrants he or she owns the forages/feed grains delivered to the Partnership free and clear of any liens or encumbrances except for security interests disclosed by the Partner.
4. Payments for the forages/feed grains will be made to the Class A Partners in accordance with grid pricing formula tied to a base price agreed to by the Management Committee and the Class A Partners.
5. The Partnership can sue for damages in the event the Class A Partner breaches the Contract. In the event the grower fails to make delivery and there is no Act of God excuse, the grower is responsible for 100% of the "cover damages" and the Partnership may terminate the breaching grower's contractual rights. If there is an Act of God excuse, the Class A Partner is responsible for 70% of the "cover damages" (the difference, if any, between the market price that the Partnership must pay for replacement commodities and the contract price) respecting non-conforming commodities or non-delivery due to an Act of God.
6. There are general provisions on assignment, waiver, successors, termination and modifications of the Agreement.

7. The Grower Contracts can be amended by agreement between the Management Committee and a majority of the Class A Partners (the Class A Partners vote as a group respecting changes to the Agreement).

CLASS C PARTNERSHIP UNITS

The Partnership has had discussions with certain economic development agencies regarding the project. Some of these entities have indicated a willingness to contribute equity capital, rather than be a subordinated creditor. The Partnership has discussed general funding options with Reservation Telephone Cooperative, Dakota Quality Grain, Mountrail/Williams Electric, Mountrail County Job Development Authority, and the North Dakota Development Fund. Each of these agencies has different restrictions and different investment goals and objectives.

Because of the different goals, objectives, and restrictions of potential Class C investors, the Class C Units may be issued in multiple series, with different series having different financial rights. The Partnership prefers that any funds contributed by these agencies be made in the form of equity (rather than debt), which would enhance the partnership's borrowing ability and its financial condition. It is the intention that the Class C Units would have a fixed dividend, perhaps in priority to the Class A and Class B Units holders. Moreover, these Units may be subject to a repurchase obligation of the Partnership. Such repurchase would be conditional upon adequate earnings and financial ability to redeem such Units in a manner consistent with the Partnership's other financial commitments, including loan covenants. The Management Committee will negotiate with each of these entities to achieve financial terms that are satisfactory and advantageous to the Partnership. The Partnership Agreement allows the Management Committee to establish the financial rights and special allocations for the Class C Units.

SUMMARY OF PARTNERSHIP AGREEMENT

The following summary of the Partnership Agreement is qualified in its entirety by the full text of the Partnership Agreement which is available upon request to any prospective Partner. Each prospective Partner should review the Partnership Agreement in its entirety and should seek counsel as deemed necessary.

Power of Attorney (Section 2.2).

Each Partner irrevocably appoints the Managing Partner as such Partner's attorney-in-fact, with full power and authority in such Partner's name, place and stead to do certain enumerated ministerial and substantive acts, as set forth in Section 2.2 of the Partnership Agreement.

Voting Rights (Sections 5.2 and 5.3).

Each Partner shall be entitled to one (1) vote for each 10,000 Partnership Units owned. Partners who own less than 10,000 Units may aggregate their Units to establish voting rights for election of members to the Management Committee (e.g., two Partners, owning 5,000 Units each, may aggregate such Units and be entitled to one vote). No fractional votes are permitted. Partners shall be entitled to cumulate their voting power for the election of members of the Management Committee. A Partner (owning 10,000 or more Units) may, by proxy, designate another Partner to vote his or her Partnership Interests on any matter presented to a vote of the Partners.

Partnership Interests (Article V).

The partnership Interests (Partnership Units) shall consist of three (3) classes as follows:

- (i) Class A Partnership Units ("Class A Units"). Class A Units shall be owned only by agricultural producers who agree to enter into grower contracts for the production of forages and grains for delivery to the Partnership's dairy operations.
- (ii) Class B Partnership Units ("Class B Units"). Class B Units may be owned by any person, and shall have no associated agricultural production rights or obligations.
- (iii) Class C Partnership Units ("Class C Units"). Class C Units are intended to be owned by certain investors with different investment objectives than the Class A and Class B Partners (for example, governmental economic development agencies, utilities, regional cooperatives, or like organizations that desire to promote the Partnership through investment). The Management Committee is authorized to issue multiple series of Class C Units, with each series possessing different financial rights, including superior rights to Class A and Class B Units. No Class A or Class B Partners shall have the right to acquire Class C Units.

Conflict of Interest Policy (Section 5.8).

The Partnership Agreement includes the following conflict of interest policy:

The ownership of the Partnership is comprised of many individuals who have interest in many other businesses that they control, some that have the ability to bid and supply products and services to the Partnership and some that do not. The Management Committee will be responsive to its Partners' interests both as investors and as potential suppliers. It is not the intent of the Partnership, or its duty, to give preferential treatment to any Partners in the securing or letting of bids for products and/or services, however the Partnership will make an effort, whenever applicable, to do business with its Partners.

In particular, it is contemplated that the Class A Partners will provide substantially all of the forages and grains necessary for the dairy's operations. Each Class A Partner agrees to the Grower Contracts included in Partnership's original Offering Memorandum. Amendments to those contracts may be necessary over time. However, the fundamental economic relationship to be represented by those contracts at all times shall be one of fairness to both parties, with pricing based as near as possible to applicable market prices of the commodities within the geographic region of the Partnership's dairy. If for some reason, the production relationship is not mutually satisfactory to both the Partnership and the Class A Partners, the parties shall submit any disagreement to a process of mediation, followed by binding arbitration, as necessary to resolve the disagreements. It is within the power of the arbitrator to declare the differences irreconcilable, at which point the Class A Units (for one or more growers as the case may be) shall be automatically converted to Class B Units and no further production rights or obligations shall exist respecting those Units.

Capitalization of the Partnership (Article VI); Liability of Partners (Sections 5.4-5.7).

A separate Capital Account shall be maintained for each Partner. The initial balances in the Capital Accounts shall be, for each partner, the initial cash contribution made to the Partnership. The partners shall have no right to the withdrawal or the return of their respective contributions to the capital of the Partnership, except to the extent set forth in Section 11.2 upon liquidation of the Partnership, and there is no interest earned on any capital contributions. No Partner shall be liable for, or subject to, and Partnership obligations, debts, or liabilities in excess of the aggregate amount of the capital contributions made by such Partner. Moreover, the Management Committee may not assess Partners for additional capital contributions beyond the amounts subscribed for and paid in. As explained in Section 5.6, state law provides that a Partner may be liable to return capital distributions received from the Partnership in certain circumstances.

Additional equity capital may be raised if the Management Committee, in its discretion, determines that it is appropriate or desirable for the Partnership to raise additional equity capital. However, the Management Committee must first offer such Partnership Units to the Partners on a pro rata basis prior to acquiring equity capital from other sources.

Allocations and Distributions (Article VII).

See "Distribution of Earnings; Allocations" at p. 19.

Management Committee; Managing Partner (Article VIII).

The business and affairs of the partnership will be conducted by and under the direction of the Management Committee. The Partnership Agreement empowers the Management Committee with broad authority. (Section 8.2).

Upon formation of this Partnership, the Management Committee shall consist of a single member, namely, Mountrail Dairy, LLP (the temporary management company for the dairy). Only upon the call of this initial Management Committee (the management company), and only if and when it deems it advisable in its sole and absolute discretion, the Management Committee shall call a meeting of the Partners to establish and fix the number of individuals to comprise the first elected Management Committee. If such a meeting is called by the Management Committee and completed, the members of the committee shall thereafter be elected by the Partners annually at the annual Partnership Meeting.

The Partnership Agreement obligates the Management Committee to perform numerous duties including those necessary to operate the business of the partnership, to devote such time and attention to the Partnership business as may be required, to maintain appropriate books and records, to maintain appropriate bank accounts, and to prepare certain reports and tax information for the benefit of the Partners. (Section 8.3)

In addition, the Partnership Agreement prohibits the Management Committee, without the prior consent of a specified quantum of Voting Interests, from engaging in or taking certain actions. These prohibitions are designed to protect the Partnership and its Partners. (Section 8.4)

Transfer of Partnership Interest (Article X).

There are substantial restrictions on the ability to transfer Partnership Units.

Permitted Transfers. A Partner's Partnership Interests may be assigned, without the consent of any other Partner, to that Partner's spouse or child, or a family trust (or similar entity) established for the benefit of the Partner's immediate family, provided that any such permitted transferee, as it relates to the transfer of Class A Units, must be a qualified agricultural producer, and provided that any entity meets the requirements of Article XVI (corporate and limited liability company farming law).

Class A Units. Class A Units may only be transferred to agricultural producers who agree to assume the obligations of the transferor under the Grower Contracts. Any transfer of Class A Units, other than to a previously permitted transferee (see above) who is a producer, requires the consent of the Management Committee. Class A Units are sought to be transferred (other than to a permitted transferee) must first be offered to the remaining Class A Partners and any non-purchased Units would then be available for purchase by the Partnership itself. Such right of first refusal shall be offered at the price as established in the Partnership Agreement (the Partners will ratify a formula for determining the "buy-sell unit price" or annually set the price for the upcoming year at a Partnership meeting).

Class B Units. Class B Units are subject to a buy-sell agreement in favor of the Partnership and, secondarily, subject to a right of first refusal in favor of the Partners. Again, the procedure and pricing for such buy-sell agreement and right of first refusal will be established by the Partners.

Class C Units. Class C Units are not transferable; provided, that the Partnership may agree with the Class C Partners for limited transferability as provided in the instrument evidencing ownership of such Class C Units.

Dissolution (Article XI).

The Partnership Agreement defines those events of dissolution as follows:

1. The expiration of the term specified in Section 1.3 of the Agreement (December 31, 2030);
2. The approval of two-thirds (66 2/3%) of the Voting Interests;
3. The sale, exchange or any other disposition of all or substantially all of the partnership's assets;
4. The bankruptcy or insolvency of the Partnership; or
5. The entry of a decree of judicial dissolution as provided under the Act.

As soon as possible following the occurrence of any of the above-mentioned events effecting the dissolution of the Partnership, the appropriate representative of the Partnership shall execute a

notice of dissolution, the Partnership shall cease to carry on its business, except insofar as may be necessary for the winding up of its business.

Liability and Indemnification of the Management Committee (Article XII).

The Management Committee shall not be personally liable for the return of any capital contributions made to the Partnership by the Partners. In the absence of fraud, gross negligence, material breach of fiduciary duty, or willful misconduct by the Management Committee, the members of the Management Committee shall not be liable to the partnership or the Partners for any act or omission concerning the Partnership business. The members of the Management Committee shall not be individually liable for any losses sustained by the Partnership with respect to any uninsured risks.

In the absence of fraud, gross negligence, material breach of fiduciary duty, or willful misconduct on the part of the Management Committee or its members, the Partnership shall indemnify and hold each of them harmless from and against any loss, expense, damages or injury suffered or sustained by any of them by reason of any acts, omissions, or alleged acts or omissions arising out of any activity performed in good faith on behalf of the Partnership.

Amendment (Article XIV).

During the first three years from the date of the Partnership Agreement, the Agreement may not be modified, amended or supplemented except upon consent of at least sixty-six and two-thirds percent (66 2/3%) of the Voting Interests. Upon reaching and after the first three years from the date of Partnership Agreement, the Agreement may not be modified, amended or supplemented except upon consent of at least eighty percent (80%) of the Voting Interests, except that any provision requiring the consent, approval, or vote in excess of the applicable percentage (66 2/3% or 80%) of Voting Interests shall require at least that number of Voting Interests to effect amendment.

Meeting Of, or Actions By, the Partners (Article XV).

Meetings of the Partners may be called at any time by the Management Committee, or by one or more Partners holding more than twenty percent (20%) of the Partnership Units. The Agreement provides for certain notice and procedural requirements. A quorum of Partners is defined as those Partners holding in excess of fifty percent (50%) of the Total Voting Interests.

DESCRIPTION OF OFFERING AND PLAN OF DISTRIBUTION

This offering is limited to no more than thirty-five (35) persons and the proceeds from this offering will be added to the equity raised from the previous offering. In that previous offering the Partnership offered subscriptions for a minimum of 775,000 Partnership Units at a purchase price of \$1.00 per Unit. One subscriber contributed \$2,000 cash and agreed to contribute at least \$18,000 worth of cows in the future for 18,000 units at the time of contribution, in addition to 2,000 units for the cash contribution during the offering, for a total of 20,000 units.

Class A Units may be purchased only by agricultural producers who agree to enter into Grower Contracts for the production of forages and feed grains for delivery to the Partnership's dairy operation. The maximum number of Class A Units to be sold shall be 460,000 Units.

Subscriptions of Class A Units will be accepted based on time of receipt. Grower contracts are limited in number and to specific forage/feed grains. Any person interested in a Class A Unit with associated Grower Contract should contact Kenton Onstad about available Grower Contracts. Once the Management Committee has determined that a sufficient number of contracts for specific forage/feed grains have been secured, the Management Committee may refuse to offer any further Class A Units associated with that class of forage/feed grains. Subscriptions for Class A Units after the maximum has been met will be rejected; provided, that such subscriptions will be entitled to purchase available Class B Units.

Class B Units are offered to any person and are not limited to agricultural producers. They have no agricultural production rights or obligations. Subscriptions for Class B Units will be accepted based on time of the receipt.

Class C Units will be offered to certain government sponsored economic development agencies, utilities, and like organizations. The partnership reserves the discretion to reject any Class C subscriptions, if it has obtained sufficient equity from Class A and Class B subscriptions.

The proceeds of the offering may be utilized immediately by the Partnership to meet expenses and begin construction of the dairy.

The offering is made pursuant to exemption from registration under federal and state law for limited offerings. Federal or state law restricts this offering as follows: the offering is limited to no more than thirty-five (35) persons, all of whom must be bona fide residents of North Dakota. The offering is made in reliance on a state exemption for limited offerings. North Dakota has restrictions on the number of persons that can subscribe in reliance on the exemption. The Partnership reserves the discretion to reject or cancel any subscription that would cause the offering to not comply with applicable federal and state law limitations.

PENDING LEGAL PROCEEDINGS

There are no pending legal proceedings against the Partnership, the Management Committee, or any other party or property associated with the Partnership.

FEDERAL INCOME TAX CONSEQUENCES

The Partnership

The following is a summary of certain income tax considerations which may be relevant to a prospective Partner. It is impractical to comment on all aspects of Federal, state or local income tax laws which may affect the consequences of participating in the Partnership, particularly since such consequences are often uncertain and complex and many of them will not be the same for all taxpayers. As a consequence, each prospective Partner should satisfy himself as to the income and other tax consequences of his participation in the Partnership by obtaining advice from his own advisor. As explained below, there exists uncertainty concerning some tax consequences of the proposed activities.

Federal Taxation of the Partnership and its Partners

Under the Internal Revenue Code, as currently constituted (the "Code"), no Federal income tax is paid by a partnership. For Federal income tax purposes, the partners of the Partnership will be required to report on their Federal income tax returns their distributive share of all items of the Partnership's income, gain, loss, deduction, credit and tax preference for any taxable year of the Partnership ending within or with their taxable year, without regard to whether such Partners have received or will receive any distributions from the Partnership. Thus, it is possible for a Partner to be liable for Federal income taxes in excess of the amount of cash distributed to him.

Allocation of Income and Losses Among the Partners-Section 704

A Partner's share of the Partnership's income, gain, loss, deductions, tax credits and tax preference items for any year of the Partnership will be reported on his tax return for his taxable year in which or with which the Partnership's taxable year-ends, subject to any limitations. A Partner's distributive share of such items will be determined for Federal income tax purposes in accordance with the allocations set forth in the Partnership Agreement if those allocations have "substantial economic effect" as provided under Section 704(b) of the Code or, in the case of allocations of items of loss and deduction attributable to nonrecourse indebtedness, if they are in accordance with a Partner's interest in the Partnership. In general, these allocation provisions have the effect of allocating taxable income and loss among the Partners in the same proportion as cash distributions.

Tax Basis and Other Limitations and Loss Deductions

As described below, a Partner is subject to three distinct, but related, provisions that limit his ability to utilize net losses from the Partnership. If one or more of these limitations apply to a Partner in a particular taxable year, a Partner may not deduct all or part of his share of the Partnership net losses for such year. To the extent that net losses attributable to a Partner's interest cannot be utilized to offset certain other taxable income in the current year, including salary, active business income and portfolio income, such losses will be suspended and carried forward and applied against Partnership income (other than portfolio income) or income from other passive sources in future years. See "Limitation of Loss Deductions From Passive Activities", below. The ability to utilize net losses from the Partnership also may be limited in a particular taxable year to the Partner's tax basis in his interest in the Partnership (See "Basis of Partnership Interest of Partners", below) or to the Partner's amount "at risk" (See "Limitation on Loss Deductions Under Section 465", below). Upon a complete disposition by a Partner of his interest in the Partnership, any remaining suspended losses will be allowed to the extent that such losses do not exceed the lower of his tax basis in the interest in the Partnership (See "Basis of Limited Partnership Interest of Limited Partners", below) or his amount "at risk" (See "Limitation on Loss Deduction Under Section 465", below).

Limitations of Loss Deductions From Passive Activities

The Tax Code provides that losses from a trade or business activity in which a taxpayer does not "materially participate" will not be allowed to offset certain other taxable income of that taxpayer,

including salary, active business income and "portfolio income" (such as dividends, interest, royalties, and non-business capital gains). Losses attributable to a partnership interest, such as those in the Partnership, are treated as arising from a nonparticipating or "passive" trade or business activity. Such losses generally can be used only to offset passive income from the partnership or from other passive activities.

Limitations of Loss Deductions Under Section 465

Under Section 465 of Code, the amount of losses (excess of allowable deductions over income) which individuals and certain corporations may deduct with respect to most business and investment activities, are limited to the amount of which the individual or corporation is "at risk" with respect to such activity. An activity included participation in a partnership that is engaged in the specified activity. Thus, the amount of losses of the partnership which most Partners will be entitled to deduct will be limited to the amount which the Limited Partner is "at risk" with respect to the Partnership at the close of the taxable year in which the loss occurs. Losses disallowed for the taxable year because of the "at risk" limitations can be carried forward indefinitely and utilized in a subsequent year if then permitted by the "at risk" limitation.

Initially, a Partner will be "at risk" as to the Partnership for an amount equal to the cash paid for his Partnership Interests. However, if any part of the payment for Partnership Interests is made with borrowed funds, it will be considered to be "at risk" only if the Partner is personally liable for repayment and the loan is not obtained from a party who has interest in the Partnership's business (other than as a creditor) or from a related person to such party. In subsequent years, a Partner's amount "at risk" generally will be increased by his allocable share of the Partnership's undistributed taxable income and reduced by his allocable share of the Partnership's losses and the Partnership's distributions.

If the amount for which a Partner is "at risk" is reduced to below zero (by distributions to the Partner, by changes in the status of indebtedness from recourse to nonrecourse, or otherwise), the Partner will recognize income to the extent that his "at risk" basis is reduced to below zero. Thus, distributions of Partnership funds could cause the recapture of previously deducted even though the distribution might otherwise be tax-free.

Basis of Partnership Interests

Generally, the tax basis of interests of a Partner in the Partnership will be equal to the amount of cash contributed by the Partnership, decreased by the Partner's share of Partnership income.

A Partner's tax basis for Partnership Interests in the Partnership will be computed without regard to the "at risk" limitations discussed above. The tax basis on Partnership Interests in the Partnership is important because a partner cannot deduct his share of Partnership losses in excess of his basis (subject also to the "at risk" limitation discussed above). Furthermore, the tax basis is used in determining if gain is realized on cash distributions and in measuring gain or loss upon a partial or complete disposition of a Partner's Interests in the Partnership.

Tax Returns and Tax Information

The Partnership will furnish each Partner Information on Schedule K-1, Form 1065 to enable him to file Federal, state and local tax returns, although the preparation and filing of such tax returns will be the personal responsibility of the Partner. The Partnership will annually file a federal information return on Form 1065.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Halliwell
Operator's Signature

10/3/03
Date

EXHIBIT A

THE TWO PAGE PRO FORMA INCOME STATEMENT ATTACHED TO THIS EXHIBIT CONTAINS PROJECTIONS FOR SEVEN (7) YEARS IN THE FORM OF AN INCOME STATEMENT FOR AN INITIAL FOUR HUNDRED (400) COW DAIRY WITH EXPANSION TO AN EIGHT HUNDRED (800) COW DAIRY IN YEAR TWO OF OPERATIONS. THIS PRO FORMA INCOME STATEMENT IS A PROJECTION BASED ON ASSUMPTIONS MADE BY MANAGEMENT AND IS NOT A PROMISE, ASSURANCE OR GUARANTEE THAT THE RESULTS FORCASTED WILL BE ACHIEVED. THE ATTACHED PRO FORMA INCOME STATEMENT IS MERELY A FORECAST WHICH IS DEPENDANT UPON FUTURE EVENTS. THE INFORMATION CONTAINED IN THE PRO FORMA INCOME STATEMENT MAY BE SIGNIFICANTLY AFFECTED BY CHANGES IN ECONOMIC AND OTHER CIRCUMSTANCES AND SHOULD NOT BE CONSIDERED TO BE A PRESENTATION OF FUTURE RESULTS. RISK FACTORS COULD MATERIALLY ALTER THE UNDERLYING ASSUMPTIONS MADE BY MANAGEMENT AND THEREBY ADVERSELY IMPACT THE PROJECTIONS. POTENTIAL PURCHASERS SHOULD VIEW THE PROJECTION IN LIGHT OF THE RISKS IDENTIFIED IN THE OFFERING MEMORANDA.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Halliwell
Operator's Signature

10/3/03
Date

Pima PROJECTED Income Statement for NorthWest Dairy, LLP 400 milking cow (Year 1) & 800 milk cow (Year 7)

Income Statement (40% Equity)

	Year 01	Year 02	Year 03	Year 04	Year 05	Year 06	Year 07	7 Yr. Ave.
Revenue								
Milk Sales	\$600,213	\$1,703,029	\$2,408,304	\$2,408,304	\$2,408,304	\$2,408,304	\$2,488,304	\$2,117,909
Calves Sold	\$20,800	\$48,000	\$57,600	\$57,600	\$57,600	\$57,600	\$57,600	\$52,114
Culls Sold	\$0	\$96,000	\$109,333	\$90,666	\$72,000	\$72,000	\$72,000	\$73,143
Manure Sells	\$0	\$4,128	\$8,256	\$8,256	\$8,256	\$8,256	\$8,256	\$6,487
Total Revenue	\$629,013	\$1,931,757	\$2,663,493	\$2,644,826	\$2,626,160	\$2,626,160	\$2,626,160	\$2,249,653
Operating Expenses								
Feed	\$177,275	\$457,739	\$550,797	\$550,797	\$550,797	\$550,797	\$550,797	\$484,143
Feed Expenses Total	\$177,275	\$457,739	\$550,797	\$550,797	\$550,797	\$550,797	\$550,797	\$484,143
Other								
Labor	\$149,222	\$279,014	\$391,169	\$402,904	\$414,991	\$427,441	\$440,264	\$357,858
Milk hauling and marketing	\$18,150	\$53,345	\$94,402	\$94,402	\$94,402	\$94,402	\$94,402	\$77,644
Artificial insemination/Breeding	\$7,650	\$12,750	\$14,118	\$14,118	\$14,118	\$14,118	\$14,118	\$12,999
Veterinary and medicine	\$37,260	\$70,380	\$89,560	\$89,560	\$89,560	\$89,560	\$89,560	\$79,349
Replacement Livestock	\$25,000	\$322,500	\$392,267	\$354,453	\$316,800	\$316,800	\$316,800	\$292,089
Livestock hauling	\$2,289	\$3,924	\$5,215	\$5,215	\$5,215	\$5,215	\$5,215	\$4,613
Fuel & lube	\$5,250	\$14,250	\$18,400	\$18,400	\$18,400	\$18,400	\$18,400	\$15,929
Machinery and building repairs	\$11,181	\$33,254	\$44,800	\$44,800	\$44,800	\$44,800	\$44,800	\$38,348
Professional Fees (Acct, Nutr, Ecl)	\$10,002	\$19,080	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$22,012
Dairy Supplies	\$15,193	\$44,449	\$59,430	\$59,430	\$59,430	\$59,430	\$59,430	\$50,970
Bedding	\$7,116	\$18,273	\$22,330	\$22,330	\$22,330	\$22,330	\$22,330	\$19,577
Utilities & Water	\$18,861	\$41,319	\$49,380	\$49,380	\$49,380	\$49,380	\$49,380	\$43,869
Custom Labor/Manure Application	\$0	\$26,400	\$35,200	\$35,200	\$35,200	\$35,200	\$35,200	\$28,914
Insurance	\$6,597	\$14,660	\$17,600	\$17,600	\$17,600	\$17,600	\$17,600	\$15,608
Business Development	\$45,000	\$0	\$0	\$0	\$0	\$0	\$0	\$6,429
Property Taxes	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Misc. expenses	\$17,939	\$47,680	\$62,994	\$61,690	\$60,411	\$61,034	\$61,675	\$53,346
Other Expenses Total	\$377,709	\$1,002,277	\$1,322,865	\$1,295,482	\$1,268,638	\$1,281,710	\$1,295,174	\$1,120,551
Expenses before Interest & Depreciation	\$554,984	\$1,460,016	\$1,873,662	\$1,846,279	\$1,819,435	\$1,832,507	\$1,845,971	\$1,604,694

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature *Dennis Hall*

Date 10/3/03

Prima PROJECTED Income statement for NorthWestern Dairy, LLLP 400 milking cow (Year 1) & 800 milking cow (Year 2)

[illegible]

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

10/3/03
Date

Testimony on HB 1369

Chairman Urlacher and members of the Finance and Taxation Committee

My name is Representative Kenton Onstad from District 4. HB 1369 is about value-added agricultural projects and allowing the establishment of these projects.

Value added means the enhancement or improvement of the overall value of an agricultural commodity. A value added ag facility means a vertically integrated enterprise operated to process and market those ag commodities. A value added ag facility could be an ethanol plant, hog operation, feed lot, dairy enterprise or bean processing plant to name a few.

HB 1369 would allow the Bank of North Dakota to establish and operate an Equity Trust fund. Moneys in this fund would be used to acquire ownership interest in value-added agricultural projects or for loans to value-added agricultural projects.

If you have or have not been involved in a Value-added project, they are expensive and require adequate equity to generate the necessary loans available. Currently, the State of North Dakota does not have many vehicles to accomplish these efforts or raising the necessary dollars to create a Value-Added Project. I have been involved in a project in our area and visiting with other individuals in starting Value-Added Projects they concur in the difficulty of raising necessary funds. It is not from lack of interest but the lack of tools and incentives to attract substantial investment in a project.

I would like to relate to my own experiences in these efforts. A project will initially select a model of governance; partnership, cooperative, sole proprietorship or corporation. Depending on your selection, it typically eliminates certain entities from making an investment in your project. HB 1369 helps provide a vehicle to allow those entities to become involved in your project.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hallmark
Operator's Signature

10/3/03
Date

The following steps are the start of a typical Value-Added Project--

- 1) Initial planning and feasibility study
- 2) establish a legal entity, create a business plan
- 3) Securities Commission will approve a public offering.

The offering circular will outline your project. Individuals or businesses through those efforts make the decision if they would like to make an investment in your project.

Section 1 of HB 1369 lays out the definitions. The industrial commission would establish the format and the Value-added Ag promotion board would carry out the functions.

Page 3 establishes an equity trust fund investment tax credit. A 30% state tax credit for individuals.

As I outlined earlier, certain businesses or individuals that want to make an investment are not allowed to make an investment in your project. HB 1369 gives the state a tool to help these groups or individuals to get involved in your project and help it raise the necessary equity needed.

I would urge this committee to seriously look at HB 1369 and urge a DO PASS recommendation. I will be happy to answer any questions you may have at this time.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hall
Operator's Signature

10/3/03
Date



Administration:
1101 1st Ave N
P.O. Box 2064
Fargo, ND 58107
701-298-2200 • 1-800-367-9668
Fax: 701-298-2210

State Headquarters:
4023 State St
P.O. Box 2793
Bismarck, ND 58502
701-224-0330 • 1-800-932-8869
Fax: 701-224-9485

North Dakota Farm Bureau

www.ndfb.org

**Testimony of North Dakota Farm Bureau
On HB 1369
Senate Finance and Taxation Committee
By Eric Aasmundstad, President
Tuesday March 18, 2003**

Good morning Chairman Urlacher and members of the committee. My name is Eric Aasmundstad; I am the President of North Dakota Farm Bureau. I am here representing the 26,000 member families of North Dakota Farm Bureau in support of the concept contained in HB 1369.

The concept of investment in agriculture is not foreign to the members of North Dakota Farm Bureau. We believe that for our state's largest industry to prosper, investment is needed to diversify and expand the industry of agriculture. The delivery method is what we have to question.

HB 1369 will establish a farmer's equity trust fund so the state can decide which agricultural enterprises receive funding and if the state wants an equity position in the chosen business. Individuals would be allowed to invest in this fund, enticed to do so by the lure of a state income tax credit. After investing, the state takes over and invests these monies much more effectively than an individual possibly could. Page 2 lines 23-26 of this bill will: Establish procedures to evaluate a value-added agricultural project's relative merit, likelihood of success, and need for an investment or loan. (Is this not the function of the free enterprise system?) Evaluation of relative merit must include consideration of the number of citizens of this state who would benefit from the project and the amount of benefit. (If the state is given the charge of these types of determinations in regards to the business world, is that not in fact socialism?)

One future. One voice.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Donna Hallquist
Operator's Signature

10/3/03
Date

During the debate on HB 1396 the "corporate farming bill", we heard loud and clear that we cannot allow unrelated individuals to invest in agriculture, as they could be the corporate boogiemer. However, in this bill, HB 1369 we would allow the state to determine investment quality and/or take an equity position in agriculture. During the testimony on HB 1396 we heard the problem in agriculture is not capital-it is price. Yet HB 1369 is all about infusing capital into agriculture. Is the message then, we trust the state to run agriculture, but we will not trust individuals to do it. We do not believe this is the proper message to send to the citizens of North Dakota.

As I stated in my opening we certainly can support investment in this state's largest industry, but we cannot and will not support a state induced monopoly when it comes to this investment. In the philosophy of Farm Bureau, it is stated: "Individual freedom and opportunity must not be sacrificed in a quest for guaranteed security." We will not compromise this belief and HB 1369 would do just that. Thank you for your time Mr. Chairman and committee members.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hall
Operator's Signature

10/3/03
Date