UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

JOSEPH MIRAKAY, LOUIS MESSINA, MICHAEL ELEFTERAKIS & JOHN GEMBINSKI, on behalf of themselves and others similarly situated,	)	
Plaintiffs,	)	Case No. _____
vs.	)	**CLASS ACTION COMPLAINT**
DAKOTA GROWERS PASTA COMPANY, INC.; GLENCORE XSTRATA; and VITERRA, INC	)	Jury Trial Demand
Defendants.	)	

Plaintiffs Joseph Mirakay, Louis Messina, Michael Elefterakis, and John Gembinski (Plaintiffs), individually and on behalf of themselves and all those similarly situated in the United States, based on their personal knowledge as to their own actions and on the independent investigation of their counsel, allege as follows.

I. INTRODUCTION

1. Americans love pasta. According to the National Pasta Association ("NPA"), the average American eats 20 lbs. of pasta annually and roughly 77% of Americans surveyed by the NPA said they eat pasta at least once a week.[1]

2. But many Americans, such as those with diabetes or those limiting their carbohydrate intake, avoid pasta because of its carbohydrate content. To meet the needs of those consumers, many pasta makers sell whole grain, high fiber pasta options that have fewer

[1] *See* www. http://pastafits.org/pasta-facts and http://pastafits.org/faqs.

carbohydrates. Consumers complain, however, that those "healthier" pastas often have a grainy or mushy texture and do not taste like traditional pasta.

3. Defendants manufacture and sell a pasta product that claims to offer the best of both worlds— traditional pasta taste with almost no digestible carbohydrates.

4. Defendants sell their pasta under the trade name Dreamfields, with the slogan "Healthy Carb Living." According to each package of Dreamfields pasta, "[l]ike other premium pastas, Dreamfields is made from durum wheat semolina, which is why it tastes great." However, "Dreamfields patent pending formula and unique manufacturing process creates a matrix within the pasta, protecting 31 grams of carbohydrates from being digested." On each box of Dreamfields pasta, Defendants prominently state that it has only "5g Digestible Carbs per Serving" and has a "65% Lower Glycemic Index" than regular pasta.

5. However, as Drs. Frank Nuttall and Mary Gannon found when they independently tested Defendants' claims, test subjects had the *same* glycemic response to Dreamfields as they did to regular pasta, with blood sugar response curves that are virtual matches of each other. This would not be possible if Dreamfields had (1) only 5 grams of "Digestible Carbs" per serving, (2) a "65% Lower Glycemic Index" than regular pasta, or (3) Dreamfields actually "helps limit the rise in blood sugar levels that normally occur after eating pasta." All three statements on the Dreamfields package are false.

6. With the exception of these health claims, Defendants have gone to great lengths to assure consumers that Dreamfields is the *same* as regular past in all other respects, including traditional pasta taste and texture. Yet, Dreamfields pasta often costs more than twice as much as other leading brands of traditional pasta.

7. The only reason consumers pay such a premium for Dreamfields pasta is Defendants' claim that Dreamfields pasta has only 5 grams of "digestible carbs," a "65% lower glycemic index," and/or "helps limit the rise in blood sugar levels that normal normally occur after eating pasta"— claims that scientists and nutrionists alike have debunked.

8. Plaintiffs seek redress for the misrepresentations and other similar statements appearing on Dreamfields packaging on behalf of themselves and other consumers that purchased Dreamfields pasta products.

II. JURISDICTION AND VENUE

9. This Court has jurisdiction pursuant to 28 U.S.C. §§ 1332(d)(2)(A) and 1453. Based on Plaintiffs' allegations, the matter in controversy exceeds the sum or value of $5,000,000, exclusive of interest and costs, and was filed as a class action in which at least one member of the Class is a citizen of a state different from at least one defendant.

10. Venue in this District is proper pursuant to 28 U.S.C. § 1391 because some of the Plaintiffs reside in this District and Plaintiffs' causes of action, in part, arose in this District.

III. PARTIES

Plaintiffs

11. Plaintiff Joseph Mirakay resides in Middletown, New Jersey. Plaintiff Mirakay purchased several boxes of Dreamfields pasta at grocery stores in New Jersey. Plaintiff Mirakay would not have purchased Dreamfields pasta, and would not have paid a premium for Dreamfields pasta, if he knew Defendants' claims regarding Dreamfields' digestible carbohydrate content and low glycemic index were false. Since learning the truth, Plaintiff Mirakay has stopped purchasing Dreamfields

12. Plaintiff Louis Messina resides in Staten Island, New York. Plaintiff Messina purchased several boxes of Dreamfields pasta at grocery stores in New York. Plaintiff Messina would not have purchased Dreamfields pasta, and would not have paid a premium for Dreamfields pasta, if he knew Defendants' claims regarding Dreamfields' digestible carbohydrate content and low glycemic index were false. Since learning the truth, Plaintiff Messina has stopped purchasing Dreamfields.

13. Plaintiff Michael Elefterakis resided in West Hollywood, California until 2012. Plaintiff Elefterakis purchased several boxes of Dreamfields pasta at grocery stores in California. Plaintiff Elefterakis would not have purchased Dreamfields pasta, and would not have paid a premium for Dreamfields pasta, if he knew Defendants' claims regarding Dreamfields' digestible carbohydrate content and low glycemic index were false. Since learning the truth, Plaintiff Elefterakis has stopped purchasing Dreamfields.

14. Plaintiff John Gembinski resides in Fenton, Michigan. Plaintiff Gembinski purchased several boxes of Dreamfields pasta at grocery stores in Michigan. Plaintiff Gembinski would not have purchased Dreamfields pasta, and would not have paid a premium for Dreamfields pasta, if he knew Defendants' claims regarding Dreamfield's digestible carbohydrate content and low glycemic index were false. Since learning the truth, the Plaintiff Gembinski has stopped purchasing Dreamfields.

Defendants

15. The Defendants are a series of corporate subsidiaries and parents which are each liable for the claims alleged herein. Defendants include Dakota Growers Pasta Company, Inc., Viterra, Inc. and Glencore Xsrtata (collectively "Defendants").

16. Defendant Glencore Xstrata ("Glencore") is one of the world's largest global diversified natural resource companies. Headquartered at Baarermattstrasse 3, CH-6340 Baar, Switzerland, Glencore is the result of a merger between Glencore and Xstrata completed in May 2013. Glencore became the parent company of the manufacturer of Dreamfields pasta through a series of corporate mergers, acquisitions and amalgamations, as set forth below.

17. Dreamfields Pasta was first developed and brought to market by DNA Dreamfields LLC. That company was an amalgamation of four entities: Tech Com, a company that provided the technology and patent that purports to give Dreamfields Pasta is unique qualities; B-New, essentially the marketing and brand management component of the venture; Buhler, a Swiss engineering and equipment company; and Defendant Dakota Growers Pasta Company, Inc. ("Dakota Growers"), a grain growing and processing company in North Dakota that manufactured Dreamfields pasta.

18. Defendant Dakota Growers has manufacturing facilities and headquarters at One Pasta Avenue, Carrington, ND 58421. Dakota Growers lists its address as 1600 Utica Ave S, Suite 350 St. Louis Park, Minnesota 55416-1443. On September 21, 2007, Dakota Growers acquired all of the units of DNA Dreamfields and became its sole owner.

19. Defendant Viterra, Inc. ("Viterra") is headquartered at 2625 Victoria Avenue Regina, Saskatchewan S4T 7T9.

20. On March 10, 2010, Viterra announced it was purchasing Dakota Growers and the Dreamfields Pasta brand. Following the acquisition, Dakota Growers was operated as a wholly owned subsidiary of Viterra.

21. On December 17, 2012, Viterra merged with Bidco, an indirect wholly owned subsidiary of Glencore, created for the sole purpose of facilitating the amalgamation of Viterra

and Glencore. Upon completion of the amalgamation of Viterra and Bidco on January 1, 2013, the surviving entity was referred to as Viterra, Inc.

22. Viterra, and its subsidiary Dakota Growers, are now subsidiaries of parent Glencore. The term "Defendants" as used herein refers to each of these entities, either collectively or separately, as appropriate to their activities at various points in time.

IV. FACTUAL ALLEGATIONS

23. In recent years, many Americans have turned to diets that are low in carbohydrates. According to Defendants "[g]rowing world health concerns towards rising obesity levels have created renewed interest in dietary caloric contributions of macronutrients (fat, protein, and carbohydrate) to maintain overall good health" and "[~~r~~]ecently, portion control and reducing digestible carbohydrates in the diet have provided means to manage weight and help normalize blood glucose levels."[2]

24. To meet the demands of both health conscious and carbohydrate conscious consumers, many pasta manufacturers began offering pasta options made from rice, maize and whole durum wheat. While these whole grain pastas are higher in fiber and lower in carbohydrates, they often produce pasta with mushy or grainy texture and, according to consumers, with little to offer in the way of flavor.

25. Even today, the trend towards healthier pasta options continues. As noted in an article on the Dreamfields' website "[t]hough the low-carb craze is waning, high-carb food manufacturers, such as bakers and pasta makers, are still feeling the pinch in their profits. Add to

[2] *See* Tungland, Bryan, Dreamfields Pasta The Delicious & Healthy Way to Help Manage Blood Glucose, Control Weight & Sustain Energy (http://www.dreamfieldsfoods.com/downloads/Dreamfields%20Technical%20Discussion.pdf) (Exhibit A).

that the increased awareness of diet-induced diabetes and other illnesses, and it's no surprise that 'healthier' foods from these companies are rolling into markets every day."[3]

The Dreamfields Alternative

26. On the Dreamfields website, Defendants explain that as part of the focus on healthier eating, "there's been a huge influx of 'low carb' programs and products. But the available choices haven't been great – you either have to sacrifice foods you love, such as pasta, or try 'low carb' substitutes that really don't taste like the real thing…We decided we had to make a pasta that the whole family could eat, even if someone wasn't watching their carbs, and that's how Dreamfields was born."[4]

27. Defendants claim Dreamfields pasta offers the best of both worlds: a traditional durum wheat based white pasta with only 5 grams of "digestible carbs" and a "65% lower glycemic index" than other traditional pastas.

28. As a comparison, a review of nutritional information from a traditional pasta brand, Barilla, indicates regular pasta generally contains 200 calories, 42 grams of carbohydrates, and two grams of fiber per 56 gram serving.

29. The makers of Dreamfields claim to have "tried many low carb pastas and quite frankly, thought they tasted inferior and not at all like the pasta [they] knew and loved. Most took out the durum wheat semolina, which gives pasta its authentic taste, and reduced levels of digestible carbohydrate by adding soy protein and other fillers – all at the expense of the pasta's taste and texture."[5] So, Defendants claim that "Dreamfields developed a new recipe for making

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[3] *See* Djurklou, Alessandra, Pasta Strikes Back Companies are producing noodles with less carbs and more vitamins, but how do they taste?, (http://www.dreamfieldsfoods.com/06-pasta-strikes-back.html) (Exhibit B).
[4] *See* http://www.dreamfieldsfoods.com/about-dreamfields.html (Exhibit C).
[5] *See id.*

pasta that would give us the taste and qualities of pasta we love, with only 5 grams of digestible carbs per serving."[6]

30. According to Defendants, "[l]ike other premium pastas, Dreamfields is made primarily with durum wheat semolina, which is why it has all of the taste and texture of traditional pasta. Dreamfields is unique, however, in that its patent-pending recipe and manufacturing process protect all but 5 grams of the carbohydrates in each serving from digestion. This in turn lessens post-meal glucose rise as compared to traditional pasta."[7]

31. Since Dreamfields is made with durum wheat semolina "you get the authentic taste and al dente texture you expect from pasta."[8]

32. Dreamfields is available in seven pasta "shapes": Elbows, Penne Rigate, Rotini, Spaghetti, Linguine, Angel Hair, and Lasagna. Each of the pasta shapes is purportedly made from the same ingredients and has the same characteristics and claimed health benefits.

33. Each box of Dreamfields pasta is substantially similar in design, with the same statements and representations, and is sold for the same unit price, regardless of pasta shape.

34. Dreamfields pasta is made with a patent-pending process that purportedly creates a web or film of natural fibers (pectin, xanthan gum and inulin) and wheat proteins that protects the carbohydrates in the pasta from digestion. (See "how it works" video on Dreamfields website).

35. As described by Defendants, "[t]his protein-fiber blend modifies the internal structure within flour-containing foods like Dreamfields pasta by surrounding the starch (carbohydrate) granules, and protects and limits them from swelling when cooked. Unswollen

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[6] *Id.*
[7] *See* http://www.dreamfieldsfoods.com/pasta-nutrition.html, (Exhibit D).
[8] *See* Exhibit C.

and entrapped, the starch granules are significantly more resistant to digestion. Since they're not digested, the protected carbohydrates are treated like fiber in the large intestine and can provide health benefits to the body."[9]

36. Defendants claim "Dreamfields Pasta is the only pasta clinically shown to have a lower glycemic index than traditional pasta (65% lower)."[10]

37. According to Defendants, "Dreamfields has all of the taste and texture of traditional pastas."[11]

Defendants' Marketing of Dreamfields Pasta

38. Defendants began selling Dreamfields Pasta in February 2004.

39. At that time, many Americans seeking a healthier diet were taking measures to limit their carbohydrate intake. For example, many Americans adopted the Atkins diet which, in part, advocated limiting carbohydrate intake at all meals. At the peak of the diet's popularity in 2004, nearly ten percent of Americans were following a low-carbohydrate, Atkins-style diet.

40. As many consumers associate pasta with carbohydrates, pasta sales were negatively affected by the low-carbohydrate diet trend. According to Dakota Growers' 2007 Annual Report, "[i]n 2005, a new trend toward higher fiber products developed, displacing some of the low carbohydrate consumption. While still small relative to the total pasta category, the consumption of these whole wheat/whole grain products continues to grow."[12]

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[9] *See* The Patent Behind Dreamfields Pasta (http://www.dreamfieldsfoods.com/downloads/dreamfields-pasta-patent.pdf) (Exhibit E).
[10] *See* Exhibit D.
[11] *See* Dreamfields® Pasta Product and Nutrition Expert Q&A (http://www.dreamfieldsfoods.com/faq-q78-what-makes-dreamfields-pasta-unique.html) (Exhibit F).

[12] *See* Dakota Growers Pasta Company, 2007 Annual Report, December 10, 2007, page 14. (Exhibit G)

41. In response, many pasta manufacturers developed whole wheat or whole grain pasta alternatives that were lower in carbohydrates. For example, Barilla, a traditional pasta maker, sells a whole grain pasta that contains 41 grams of carbohydrates and 6 grams a fiber per serving and a "plus" pasta that contains 38 grams of carbohydrates and 4 grams of fiber per serving.

42. However, while lower in carbohydrates, whole wheat pastas generally lack the texture and taste of traditional durum wheat based pastas that most consumers prefer. Dreamfields was uniquely positioned, said Defendants, because their pasta "offers fiber benefits similar to the levels of other whole wheat/whole grain pastas while maintaining the integrity of the taste and low carbohydrate traits."[13]

43. According to NPR, by 2005, Atkins Nutritionals had filed for bankruptcy protection and the low-carbohydrate diet had declined in popularity to the point that only two percent of Americans were following it.

44. As a result of the declining popularity of low-carbohydrate diets and the new focus on fiber content among consumers, Dreamfields transitioned to a marketing plan that would be less dependent upon consumers adhering to low-carbohydrate diets.

45. Beginning around 2006-2007, Defendants began marketing Dreamfields Pasta to diabetics as a low glycemic alternative to traditional pasta and sales catapulted. According to Dakota Growers' 2007 Annual Report, "Our successful repositioning of Dreamfields as a low glycemic pasta alternative for people with diabetes boosted sales to $14.6 million as measured by Nielsen, which is a 7% increase over a year ago."[14]

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[13] *Id.*
[14] *Id.* at page 3.

46. According to Defendants, this growth came at a time when "traditional white pasta retail volume sales declin[ed] 3.5%."[15] Defendants boasted "[w]e believe our Dreamfields brand is well positioned for further expansion in the healthy category as consumers become aware of its health attributes."[16]

47. In a section of Dakota Growers 2007 Annual Report entitled "Consumer Trends", Defendants explained:

> **Weighing in with Consumers**
>
> Most Americans believe that they can control their health through diet and exercise. People are increasingly more interested in functional foods and the benefits they deliver to help reduce the risk of certain diseases and health conditions.
>
> Carbohydrates continue to weigh in on consumers' minds and their waistlines. According to the 2007 Food and Health Survey conducted by the International Food Information Council, 55% of Americans are concerned with the amount of carbohydrates they consume and 52% are concerned with the type of carbohydrates they consume. Whole grains, fiber-packed and low-glycemic foods are sought out because they are digested more slowly, providing sustained energy and aiding in weight management.[17]

48. In short, the company recognized that consumers love pasta, but are concerned about the high carbohydrate content of pasta, especially diabetics. Enter Dreamfields, a pasta with a taste comparable to that of traditional pasta, but that is purportedly low-carbohydrate, low-glycemic index. This was a successful marketing strategy.

49. In the same 2007 annual report, Defendants boasted:

> **Dreamfields dollar sales grew** nearly 7% this last year to $14.6 million according to Nielsen. More than 300 pasta items are identified by Nielsen in the "good-for-you" pasta category and all six Dreamfields items rank in the top 30 in dollar sales. Dreamfields markets directly to people with

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[15] *Id.*
[16] *Id.*
[17] *Id.* at page 8.

> diabetes and pre-diabetes. **Consumers are extremely loyal to Dreamfields because it has traditional pasta taste and al dente texture with the unique health benefits of 5 grams digestible carbs and a 65% lower glycemic index than regular pasta.**[18]

(emphasis added).

50. Defendants' marketing of Dreamfields pasta is directed to diabetics and low-carb dieters. Defendants state on the home page of the Dreamfields website (http://www.dreamfieldsfoods.com/):

> For some of us, pasta can no longer be on the menu. Like people with diabetes who need to watch their blood sugar. Or those on a low carb diet to manage weight. Happily, many who couldn't eat pasta have discovered a new way to enjoy delicious pasta whenever they want. As long as the pasta they choose is Dreamfields Pasta.
>
> Our healthy pasta recipe has fewer digestible carbs, about the same high fiber as whole wheat pasta, and it can help you manage your blood sugar. Dreamfields even has the great taste and al dente texture of authentic pasta. Too good to be true? Get a $1.00 coupon now so you can try Dreamfields Pasta and taste for yourself. You can also check our new "How It Works" video and learn how Dreamfields allows you to enjoy pasta again while still living a healthy life style.[19]

51. As Defendants state on their website, under a heading titled "Diabetes and Dreamfields? Discover the Pasta-bilities": "One of the most prevalent myths that comes with a diabetes diagnosis it that you will never be able to enjoy many of your favorite foods again, pasta being one of them. That's simply not true! While you do need to control carbohydrate, calorie, and fat intake, and make sensible food choices, Dreamfields pasta can be part of your healthful eating plan."[20]

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[18] *Id.* at page 9.
[19] *See* http://www.dreamfieldsfoods.com/ (Exhibit H).
[20] *See* Diabetes and Dreamfields? Discover the Pasta-bilities (http://www.dreamfieldsfoods.com/diabetes-diet.html) (Exhibit I)

52. Defendants proudly claim that due to Dreamfields' unique properties, diabetics can enjoy pasta again:

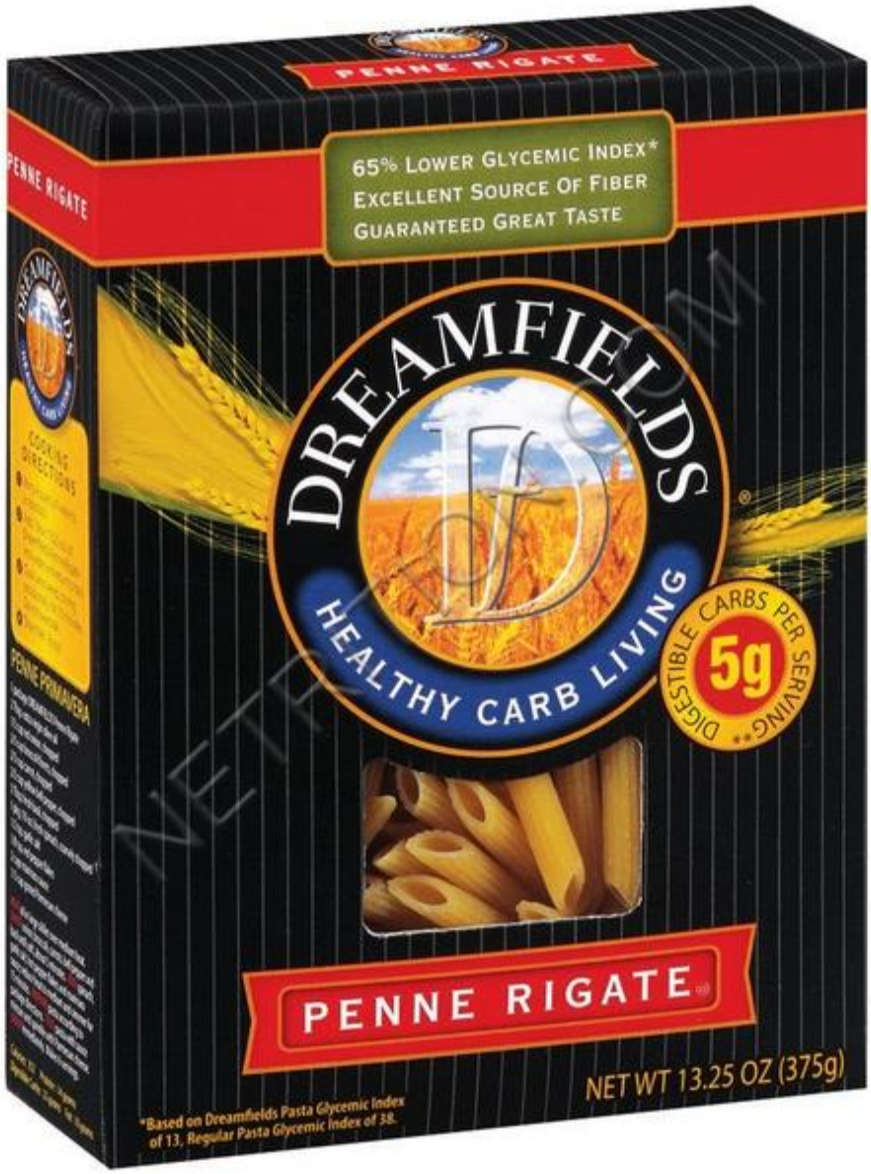
> **It Really Is Possible For People With Diabetes To Eat Dreamfields Pasta...**
>
> *Dreamfields has per serving (2 ounces dry or about 1 to 1 1/2 cups cooked):*
>
> - **About the same high fiber as whole wheat pasta**
> - **Only 5 grams of digestible carbohydrate**
> - **65% lower glycemic index** (GI) than traditional pastas
>
> Dreamfields GI =13
> Traditional pasta GI = 38
>
> All of these qualities translate into a lower blood glucose rise after eating Dreamfields as compared to eating the same amount of traditional white pasta. You can truly have your Dreamfields pasta and enjoy it too...without feeling guilty or compromising blood glucose control.[21]

Dreamfields Packaging and Defendants' Misstatements about its Product

53. The design of each package of Dreamfields pasta is the same, regardless of the type of pasta or package shape. The statements and representations on each box of Dreamfields pasta are also the same and the ingredients of each type of Dreamfields pasta are identical, regardless of the shape in which the pasta is manufactured.

[21] *Id.*

54. On the front of each package of Dreamfields pasta Defendants prominently declare their pasta has a "65% lower glycemic index" and has only "5g digestible carbs per serving." As explained below, neither of these statements is true.



55. The back panel of each box of Dreamfields pasta is devoted entirely to describing the purported health benefits of the pasta.

DREAMFIELDS

HEALTHY CARB LIVING

DIGESTIBLE CARBS PER SERVING** 5g

THE BENEFITS OF REDUCING DIGESTIBLE CARBS AND EATING LOW GLYCEMIC FOODS

Many leading nutritional experts believe that managing digestible carbohydrates is an important way to help control blood sugar. Research also supports low glycemic index diets may be an effective way to help manage weight, when combined with regular exercise and a healthy diet. Dreamfields is the perfect choice for your weight management and blood sugar plans.

- With only 5 grams of digestible carbs, Dreamfields helps limit the rise in blood sugar levels that normally occur after eating regular pasta.
- As a low glycemic index food, Dreamfields, having a 65% lower glycemic index than regular pasta makes you feel full longer, and supports your weight management plan.
- Dreamfields contains over twice the fiber of regular pasta, with a natural prebiotic fiber that has been scientifically shown to improve digestive health and help support a healthy immune system.

GOOD HOUSEKEEPING

CHOOSE HEALTHY. CHOOSE DREAMFIELDS.

CARB FACTS

TOTAL CARBS	41
FIBER	-5
PROTECTED CARBS	-31
DIGESTIBLE CARBS	5

Like other premium pastas, Dreamfields is made from durum wheat semolina, which is why it tastes great. However, Dreamfields' patent pending formula and unique manufacturing process creates a matrix within the pasta, protecting 31 grams of carbohydrates from being digested.

Learn more about Dreamfields Pasta, our money back guarantee, and find delicious recipes at: **www.DreamfieldsFoods.com** or call **1-800-250-1917.**

**Count 5 grams of carbohydrates per each 56g serving when controlling carbohydrate intake and blood sugar levels to promote good health and weight control. Dreamfields offers many health benefits and has been clinically tested to establish digestible carbohydrate levels .

56. On the reverse label Defendants claim "[w]ith only 5 grams of digestible carbs, Dreamfields helps limit the rise in blood sugar levels that normally occur after eating regular pasta." This statement is false in that (1) Dreamfields has more than 5 grams of digestible carbohydrates, and (2) scientific studies have shown that Dreamfields does not "help limit the rise in blood sugar levels that normally occur after eating regular pasta." In fact, a published clinical study shows the blood sugar response of test subjects was the same after eating Dreamfields pasta and regular pasta.

57. In the lower portion of the backside label, Defendants also include a calculation of how they arrive at a net of 5 grams of digestible carbohydrates.

58. In reality, Dreamfields has substantially more than 5 grams of "digestible carbohydrates," as demonstrated by scientific studies. Likewise, the description accompanying the "Carb Facts" calculation, which states "Dreamfields' patent pending formula and unique manufacturing process creates a matrix within the pasta, protecting 31 grams of carbohydrates from being digested" is also false.

Defendants' Claims Are Debunked By Nutritionists and Scientists

59. Dr. Frank Nuttall works in the Metabolic Research Laboratory and is a professor in the department of Medicine at the University of Minnesota. Dr. Mary Gannon is the Director of the Metabolic Research Laboratory and a professor in the departments of Medicine and Food and Nutrition at the University of Minnesota.

60. Drs. Nuttall and Gannon lead a research group that has developed diets for their diabetic patients that are generally low in glucose and carbohydrates. Pasta was normally restricted in these diets because of its high glucose and carbohydrate content.

61. Drs. Nuttall and Gannon were particularly interested in Dreamfields pasta because Defendants claimed it "taste[s] like traditional pasta, but contains twice the fiber, only 5g of digestible CHO per serving, and has a 65% lower glycemic index (13 vs 38)"[22] If those statements were accurate, the doctors thought Dreamfields pasta could be a "useful addition to [their] LoBAG[23] diet menus."[24]

62. Before adding Dreamfields to their diet plan, however, Drs. Nuttall and Gannon wanted to verify Dreamfields lived up to its advertised claims. After several unsuccessful attempts to obtain Defendants' supporting data, the doctors conducted their own study.

63. Drs. Nuttall and Gannon designed a blinded randomized crossover study to test the blood sugar response of 20 test subjects after eating regular pasta and Dreamfields pasta. The test subjects ranged in age from 29 to 80 years with a mean age of 56. None of the subjects had diabetes. The study was approved by the Minneapolis VA Health Care System Internal Review Board and the results were published in Nutrition Today. The study is filed at ClinicalTrials.gov NCT01469104.

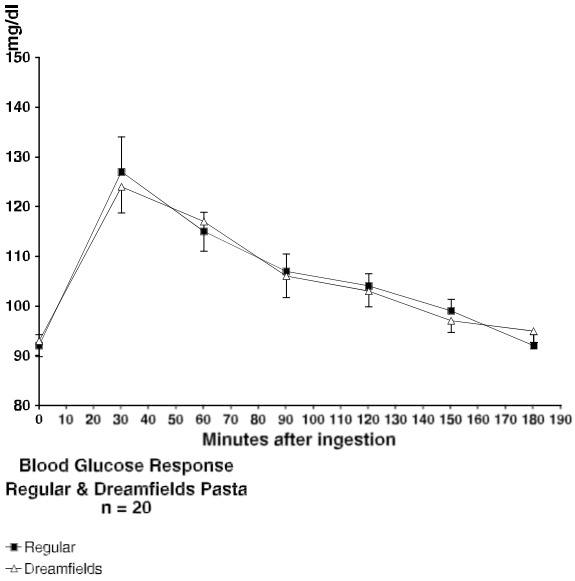
64. To begin the trial each test subject fasted for 12-14 hours prior to eating the pasta they were served. On one occasion they were served traditional white pasta and on the other occasion they were served Dreamfields pasta. The subjects were fed the same amount of pasta

[22] *See See* Nuttall, Gannon, & Hoover et al. study, page 222. (Exhibit J).
[23] Low biologically available glucose.
[24] *Id.*

and all pasta was cooked according to the manufacturer's instructions as noted on the packaging. The subjects did not know whether they were eating Dreamfields pasta or traditional pasta.

65. Fingerstick blood samples were obtained immediately before eating the pasta, and at regular intervals thereafter for the next three hours. The same meter was used to measure each blood sample.

66. The result of this study was that "the glucose response to ingestion of the 2 pastas was **essentially identical**." (Emphasis added). The actual results are set forth in the following figure[25]:



67. The results of this study convincingly render Defendants' statements regarding (1) the lower net digestible carbs in Dreamfields pasta, (2) reduced blood sugar reaction to Dreamfields pasta and (3) the lower glycemic index of Dreamfields pasta to be false.

68. Drs. Nuttall and Gannon concluded "…**the Dreamfields pasta product we purchased did not result in an improved glucose excursion when compared with a**

[25] *Id.*

commercially available traditional pasta product as would have been expected based on the company's claim."[26] (emphasis added).

69. Had defendants' representations been true, then subjects who had eaten Dreamfields pasta should have exhibited lower blood sugar levels than those who had eaten traditional pasta, as those who had eaten Dreamfields pasta should have digested fewer carbohydrates.

70. Likewise, this study demonstrates Defendants' representations relating to blood sugar control were false, as their pasta performed no differently from traditional pasta.

71. It bears noting that this study was completely objective and neither Dr. Gannon nor Dr. Nuttall had any bias or conflict of interest. In fact, both were hoping Dreamfields would live up to its claims so that a pasta option could be added to their patients' diet plans.

72. Other Nutrionists have evaluated Defendants' representations and have reached essentially the same conclusions as Drs. Nuttall and Gannon. In other words, Dreamfields pasta does not live up to its claims.

73. Dr. David A. Levitsky is one such nutrition expert who finds Dreamfields' claims to be physiologically impossible.

74. Dr. Levitsky is a professor of nutritional sciences and psychology at Cornell University where he has taught since 1970. He has authored numerous peer-reviewed articles, books, and book chapters within his field. He has also served as a consultant to the U.S. Federal Trade Commission as an expert on weight loss claims since 1997 and as a scientific advisor to

[26] *Id.*

the Culinary Institute of America since 2010.[27] Dr. Levitsky notes several flaws and inconsistencies with Dreamfields' representations.

75. First, if Defendants' manufacturing process actually protected carbohydrates from absorption and digestion, then the pasta would have different physical properties that it does not display, such as requiring longer cooking times and having a noticeably different texture than regular pasta when cooked. Likewise, the blood sugar curves of test subjects eating Dreamfields pasta should be different than those eating regular pasta if Dreamfields really does protect all but 5 grams of carbohydrates from digestion. As the Nuttall/Gannon study showed, however, the blood sugar response was the same when the subjects ate Dreamfields and traditional pasta.[28]

76. Second, "[f]or Dreamfields pasta to contain only five grams of digestible carbohydrates per serving, nearly 88% of the 41 grams of carbohydrates in each serving would have to pass though the gastro-intestinal tract undigested." If this were true, it would produce numerous negative side-effects, such as "abdominal pain, excessive flatulence, and diarrhea."[29] Dr. Levitsky and Plaintiffs are not aware of any such complaints from those that eat Dreamfields pasta.

77. Third, Dreamfield's claim that their products contain only 5 grams of "digestible" carbohydrates is, in essence, a representation that their products out-perform the best available prescription alpha-glucosidase inhibitors, the medications specifically designed to block the digestion of carbohydrates.[30]

78. In addition to Drs. Nuttall and Gannon, others have conducted less formal studies-of-one that also debunk Defendants' claims. For example, on his website DietDoctor.com, Dr.

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[27] *See* Levitsky Declaration, ¶¶ 1-3 (Exhibit K).
[28] *Id.* at ¶ 8.
[29] *Id.* at ¶ 5.
[30] *Id.*

Andreas Eenfeldt published an online report chronicling his own experiment entitled "The Dreamfields Pasta Fraud."

79. As Dr. Eenfeldt described:

> Dreamfields pasta is promoted as a low carb product. But it's made from durum wheat and it tastes great. Actually, it looks, feels and tastes just like…regular pasta.
>
> Now, regular pasta is anything but low carb. It's mostly starch, which turns into glucose in the gut and is absorbed as blood sugar. Exactly what low carbers try to avoid. Dreamfields pasta has 41 grams of carbs per serving. How can that be *low* carb?
>
> Well, Dreamfields claim that their "patent-pending" (since 2004) recipe and manufacturing process protects the carb from being digested.
>
> It sounds fantastic. But is it true? I decided to find out and the results were shocking.[31]

80. As it turned out, the results were shocking because after eating the purportedly low-carb, low glycemic index Dreamfields pasta, the doctor's blood sugar spiked and stayed at elevated levels for more than seven hours.

81. As Dr. Eenfeldt concluded "There is no way only ten grams of carbs spiked my blood sugar for seven hours. I have eaten more than that with just minor effects."[32]

82. The results of Dr. Eenfeldt's study-of-one showed Dreamfield's pasta spiked his blood sugar *more* than other carbohydrate-loaded foods like bread and potatoes, and kept it at elevated levels for much longer.

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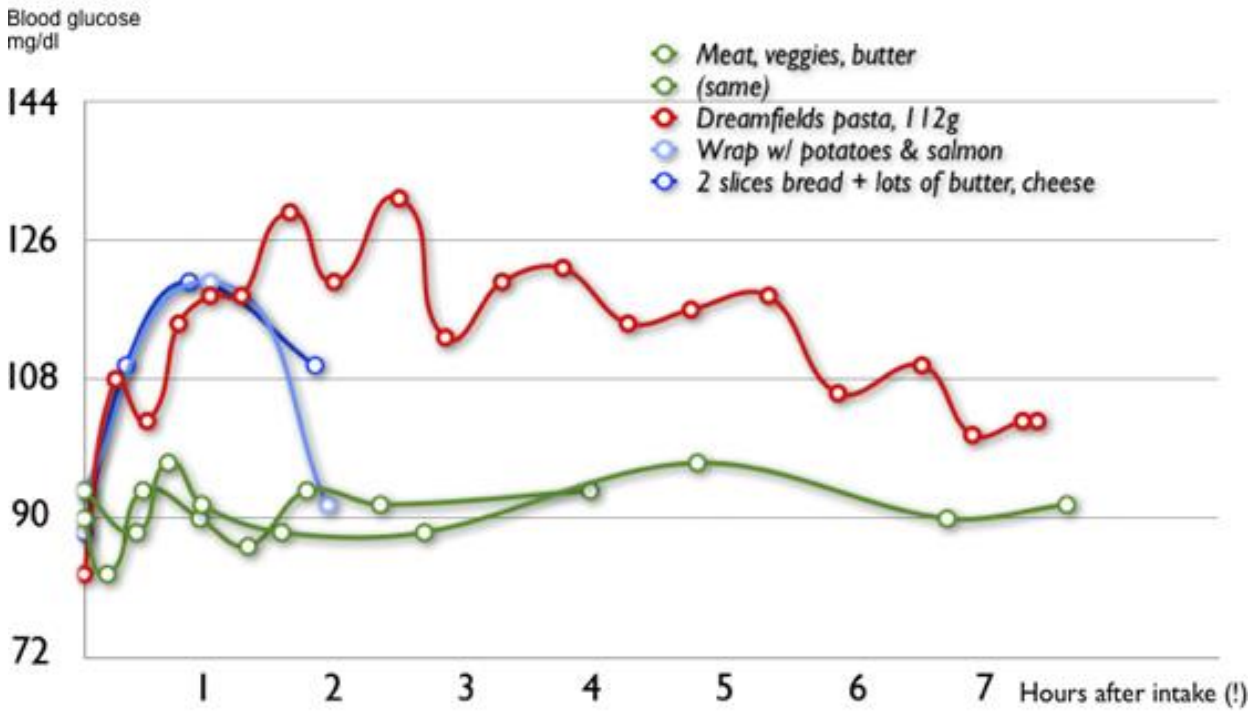
[31] *See* Eenfeldt, Andreas The Dreamfields Pasta Fraud, May 19, 2011 (http://www.dietdoctor.com/the-dreamfields-pasta-fraud) (Exhibit L).
[32] *Id.*



83. Of Dreamfields pasta, Dr. Eenfeldt concluded "…it's not low carb. It's the opposite, it's almost pure carbs. It's absorbed slowly, but most (if not all) of the starch is absorbed."[33]

84. Jimmy Moore is another well-known author and blogger who advocates low-carbohydrate diets. Mr. Moore has published books and a weblog entitled "Livin La Vida Low-Carb" and has appeared on numerous television and radio programs promoting a low-carb diet plan.

85. Dreamfields was once an advertiser on Mr. Moore's weblog, www.livinlavidalowcarb.com, and Mr. Moore has twice interviewed Dreamfield's President, Mike Crowley.[34]

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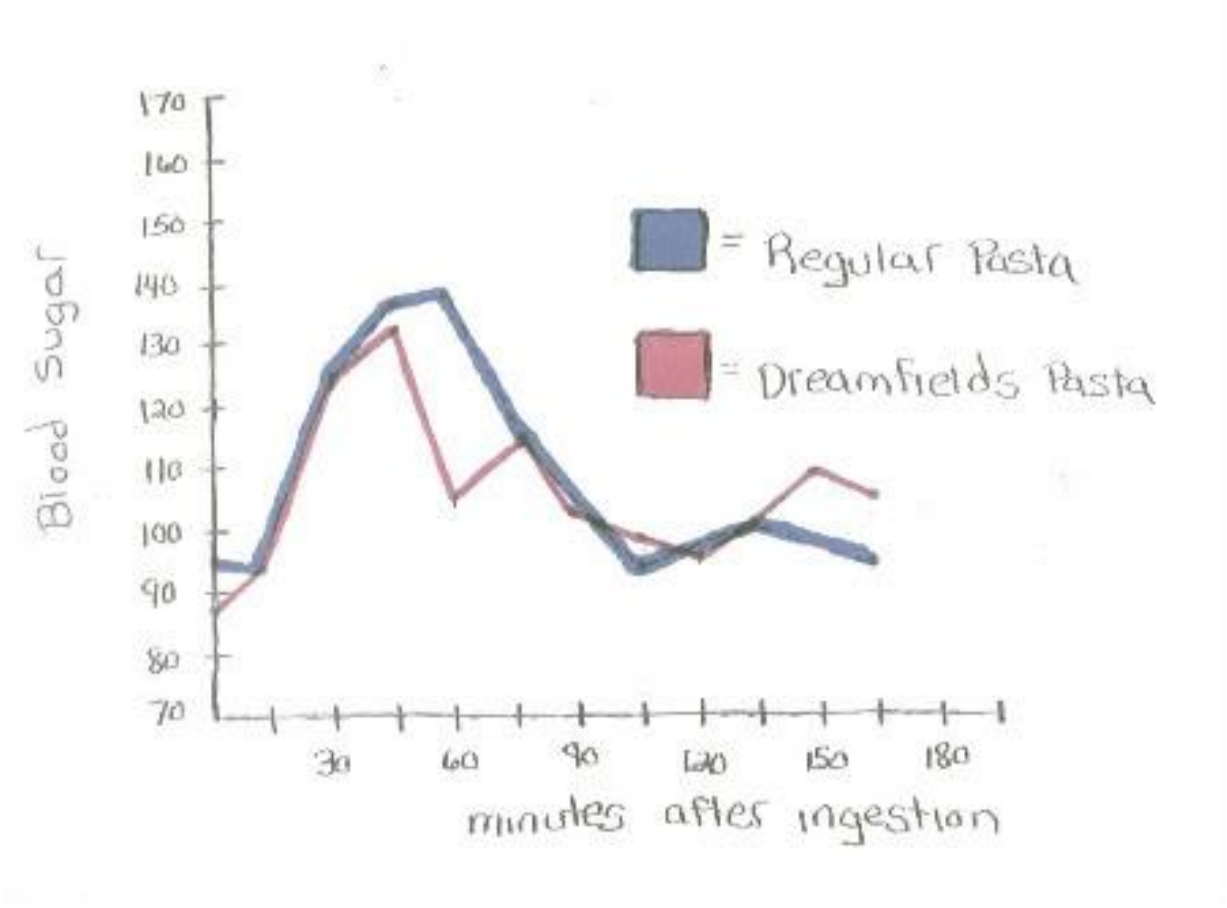
[33] *Id.*

[34] Those interviews are available on Youtube at http://www.youtube.com/watch?v=qvSPvlR4_uM&list=PLF4AF2591FFD36A88 and http://www.youtube.com/watch?v=5HUqybUr9bI.

86. Inspired by the Gannon/Nuttall study and Dr. Eenfeldt's N=1 study, Mr. Moore conducted his own study-of-one and posted the following handcrafted table on his website:



87. As Mr. Moore explained, "[n]eedless to say, this result floored me. I suppose I was hoping the claims regarding the 'protected carbs' were true, but it doesn't seem to be that way for Jimmy Moore either."[35]

88. Dreamfields no longer advertises on Mr. Moore's website.

[35] *See* Moore, Jimmy, Dreamfields President: We Stand Behind The Nutritional Claims Of Our Low-Carb Pasta, (http://livinlavidalowcarb.com/blog/dreamfields-president-mike-crowley-we-stand-behind-the-nutritional-claims-of-our-product/10785) (Exhibit M).

Defendants' Own Studies Are Still Secret and Are Highly Suspect

89. To combat studies by diabetics, doctors, and nutritionists that are critical or skeptical of Dreamfield's claims, Defendants often claim to have their own scientific evidence that supposedly supports their claims. That purported evidence, however, has not been convincing to the Company's critics, and for good reason.

90. Although the Company claims to have conducted scientific studies to verify their claims of low glycemic index and only 5 digestible carbohydrates, this "evidence" has never been shared with anyone outside of Dreamfields.

91. For instance, when the Company announced in February 2005 that an "Independent Validation Study Clarifies Carb Confusion," Defendants never actually made the results of that study available to the public.[36] In fact, Defendants did not disclose *any* data from that study, even in a summary fashion. Although the press release stated "Dreamfields Company, LLC is proud to release the scientific information that explains and proves the digestible carb impact of their breakthrough Dreamfields pasta brand," the rest of the press release, comically, does not include any such results.[37] At best, the release contains only a few conclusory statements about the results, such as "[t]his data validates the effectiveness of the new technology while statistically supporting the 5 gram label claim of Dreamfields pasta."[38] Again, the "data" were never released. To this day, the data from that study has not been disclosed to the various critics of Dreamfields pasta who dispute Defendants' claims nor to

[36] *See* All Carbs Are Not Created Equally: The Dreamfields Difference; Independent Validation Study Clarifies Carb Confusion, (http://www.dreamfieldsfoods.com/05-healthy-carbs.html) (Exhibit N).

[37] *Id.*
[38] *Id.*

doctors, scientists, or nutritionists who have specifically requested them, such as Drs. Gannon and Nuttall.

92. Even Defendants' characterization of their studies as "independent" is a sham. In the February 2005 press release, Dreamfields states the "clinicals for the study were performed at a single site by AMK Research, Inc. in Gainsville, Florida."[39] In another press release discussing the same study issued in 2004, Defendants again claim "[t]he Dreamfields five-gram digestible carbohydrate content was verified in *independent* clinical testing performed in a clinical laboratory that complies with FDA guidelines."[40] AMK Research, though, is not "independent." It is run by Dr. John Abernethy, who is on Dreamfields' advisory panel.

93. In the same 2004 press release stating the trial was performed by an "independent" testing facility, Defendants boasted that "Dreamfields has put together an impressive panel of nutrition, medical, scientific and culinary experts for their advisory board, including…John Abernethy, M.D., a faculty member at the University of Florida Medical School and a member of the American Academy of Family Practice."[41] Curiously, no mention of Dr. Abernethy's leading role with AMK Research was mentioned in the press release. The Company has also failed to disclose that Dr. Abernethy and one of the co-founders of Dreamfields and its patent holder, Dr. Jon Anfisen, are closely connected, living in the same community and both serving as officers in a local not-for-profit, Sara's Place.

94. Far from being an independent clinical trial, the Dreamfields in-house study was conducted by a member of its own advisory board. Although Defendants' study purportedly

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[39] *Id.*
[40] *See* Finally, Great Tasting Pasta With Healthy Carbs! DNA Dreamfields Company Introduces Pasta with Authentic Taste And Texture And Only 5 Grams of Digestible Carbs, (http://www.dreamfieldsfoods.com/04-good-carbs.html) (Exhibit O).
[41] *Id.*

supports Dreamfields' claims, the results have never been published or released to the public, even in the face of serious and searching questions about the legitimacy of Dreamfields' claims.

Defendants Respond to the Nuttall/Gannon Study with Another Secret Trial

95. After the results of the Nuttall/Gannon study began lending volume to the growing chorus of Dreamfields' critics, Defendants conducted another study. Again, rather than publish the study or release the data supporting the results, Defendants released only certain conclusory results of their study, also performed by AMK Research. Unlike the Nuttall/ Gannon study, though, Defendants' study was not approved by an independent reviewer and the study has never been published.

96. According to Defendants' press release, the study utilized only 8 individuals, 4 males and 4 females.[42] No other details on the test subjects has been revealed, such as their age, health conditions, and whether they have participated in other studies performed at the direction of Dreamfields or AMK Research.

97. The test subjects were also served only ½ a serving of Dreamfields pasta (25 grams of available CHO), even though the Company acknowledged that "50 gram available carbohydrate dose [is] in common use to determine the glycemic index of a wide range of foods."[43]

98. Moreover, the blood sugar response in each test subject was only monitored for two hours after each test meal of pasta was consumed.[44]

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[42] *See* Tungland, Bryan, Glycemic Response to Ingested Dreamfields Pasta, June 10, 2011, page 2,(http://www.dreamfieldsfoods.com/downloads/DreamfieldsPastaGlycemicResults_v4_bt_6_10_11.pdf) (Exhibit P).
[43] *Id.* at page 3.
[44] *Id*.

99. Even with the small bit of information released regarding this study, serious questions arise. As author Laura Dolson noted in her article "Dreamfields Pasta – Truly Low Carb?":

> First, many of Dreamfields' subjects came from the local university, which may mean that as a group they are younger than the average for people on low-carb diets. Also, the serving size in the testing is just half of the 50 grams usually used to test the glycemic index of a carbohydrate. Third, the studies Dreamfields does are unpublished, so they are not peer-reviewed, and scientists aren't able to try to replicate methods and compare data.[45]

100. As Dr. Levitsky notes, "[t]he sample size is exceedingly small, with only eight subjects, [t]he study was 'single-blinded,' creating the possibility of bias, [s]ubjects received only half a serving of pasta, [and] [b]lood sugar levels after 120 minutes were not reported."[46]

101. This study stands in stark contrast to the Nuttall/Gannon study that studied more than twice as many subjects, served the subjects the commonly accepted serving size when studying carbohydrate foods, studied a range of test subject ages, was approved by an independent overseer and is published for all to see.

102. In the end, maybe the results of the Nuttall/Gannon study should not be all that shocking. Dreamfields pasta tastes and feels like regular white pasta, because that is all it appears to be. Defendants' claims to the contrary are false and misleading.

Dreamfields Pasta is Considerably More Expensive Than Traditional Pasta

103. According to Dakota Growers 2009 10-K, "[t]he Dreamfields pasta products carry a higher selling price and higher profit margins than traditional pasta."[47] In fact, Dreamfields pasta is often more than twice as expensive as its leading competitors.

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[45] *See* Dolson, Laura, Dreamfields Pasta - Truly Low-Carb?, May 26, 2011 (http://lowcarbdiets.about.com/od/products/a/Dreamfields-Pasta.htm) (Exhibit Q).

[46] *See* Exhibit J, paragraph 6.

104. According to Defendants, Dreamfields main brand name competitors include Barilla, Ronzoni, San Giorgio, and Muellers.[48] The following table compares prices for each brand and Dreamfields as sourced at local supermarkets in California, Michigan, New Jersey, New York and Pennsylvania.

Pasta Brand	**CA**	**MI**	**NJ**	**NY**	**PA**
Dreamfields	*$3.98*	*$2.40*	*$3.45*	*$3.98*	*$3.25*[49]
Barilla	$1.00	$0.98	$1.59	$0.99	$1.49
Ronzoni	*	$1.34	$1.49	$1.69	$1.69
San Giorgio	*	*	$1.49	$1.00	$1.39
Muellers	*	$1.08	$1.29	$1.29	*
Store Brand	$1.20	$0.87	$1.00	$0.99	$0.99

105. As demonstrated above, Dreamfields is typically more than twice as expensive as most leading competitors across the country.

106. Plaintiffs believe that at times during the Class Period, Dreamfields enjoyed an even greater price premium than it does today.

107. The only reason a consumer would pay twice as much for Dreamfields pasta is because Defendants claim it has "only 5 grams digestible carbs" and a "65% lower glycemic index." After all, Defendants have gone to great lengths to explain their pasta is the same as traditional pasta *in all other ways*.

108. In Dakota Growers 2007 Annual Report, Defendants explained that the purported unique healthy properties of their pasta allow them to charge a price premium. Specifically,

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[47] *See* Dakota Growers Pasta Company, 2009 Annual Report, October 29, 2009, page 16 (Exhibit R).
[48] *Id.* at page 5.
[49] A box of Dreamfields contains only 13.25 ounces (375 grams) of pasta. All other pasta makers represented on the chart sell pasta in 1 pound (454 gram) boxes. For consistency, the price of Dreamfields pasta has been adjusted on a per gram basis to reflect the price per pound of pasta.

> The Company believes that the Dreamfields line of products is well suited for consumers seeking healthy eating alternatives. Dreamfields pasta has a 65% lower glycemic index than regular pasta as well as 5 grams of digestible carbs and 5 grams of fiber per serving. **The Dreamfields pasta products carry a higher selling price and higher profit margins than traditional pasta**.[50]

109. The Company gloated that consumers were "**extremely loyal to Dreamfields because it has traditional pasta taste and al dente texture with the unique health benefits of 5 grams digestible carbs and a 65% lower glycemic index than regular pasta**."[51] These are the same claims Defendants prominently make on each package of Dreamfields pasta sold.

110. Dreamfields pasta is also significantly more expensive than other "healthier" option pastas offered by leading brands. As stated in an article on the Dreamfields' website: "[Dreamfields] was also the most expensive, at $3.79 for a 1-pound box. The other brands [Barilla Plus Penne and Anthony's Rainbow Rotini] all cost less than $2 [$1.69 and $1.89 respectively]".[52]

111. It is clear that the price premium enjoyed by Dreamfields pasta is entirely attributable to Defendants' claims that Dreamfields has only 5 grams of "digestible carbs" and a "65% lower glycemic index" than traditional pasta.

112. As Defendants proudly acknowledge on the Dreamfields website, "Dreamfields does cost more than traditional pasta, but that hasn't seemed to stop consumers who want a healthier lifestyle."[53]

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[50] *See* Exhibit G, page 14.
[51] *Id.* page 9.
[52] *See* Djurklou, Alessandra, Pasta Strikes Back; Companies are producing noodles with less carbs and more vitamins, but how do they taste? (http://www.dreamfieldsfoods.com/06-pasta-strikes-back.html) (Exhibit S).
[53] *See* Dakota Growers Pasta Co. — Ever changing, ever evolving, Reprinted from The Minot Daily News, North Dakota (http://www.dreamfieldsfoods.com/07-ever-changing-dakota-growers.html)(Exhibit T).

V. CLASS ACTION ALLEGATIONS

113. **Class Definition**. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23 on behalf of themselves and the following Classes:

a nationwide class consisting of all persons who purchased Dreamfields pasta;

a California subclass consisting of all California residents that purchased Dreamfields pasta;

a Michigan subclass consisting of all Michigan residents that purchased Dreamfields pasta;

a New Jersey subclass consisting of all new Jersey residents that purchased Dreamfields pasta;

a New York subclass consisting of all New York residents that purchased Dreamfields pasta.

Excluded from the Class are Defendants; the officers, directors, or employees of any Defendant; the parent companies and subsidiaries of any Defendant; any federal, state or local governmental entities, any judicial officer presiding over this action and the members of his/her immediate family and judicial staff, and any juror assigned to this action.

114. **Numerosity**. Plaintiffs do not know the exact size of the Classes. However, based on Dreamfield's sales volume, Plaintiffs estimate there are thousands of Class Members in each of the classes who are geographically dispersed throughout their respective states and the United States. In fact, Dreamfields claims to have an email database with over 500,000 email addresses of consumers that purchase Dreamfields pasta. As such, joinder of all Class Members would be impracticable.

115. **Commonality.** Common questions of fact and law exist as to all Class Members and predominate over any questions solely affecting individual Class Members. The common

questions of fact or law common between and/or among the Classes include, but are not limited to:

a. Whether the statements printed on Dreamfields' packaging constitute representations;

b. Whether the statements printed on Dreamfields' packaging constitute warranties within the meaning of the Magnuson-Moss Act;

c. Whether such statements and/or representations are false;

d. Whether such false labeling constitutes an unlawful, unfair, or fraudulent business practice and/or unfair, deceptive, untrue, or misleading advertising;

e. Whether Defendants' products constitute "misbranded products" within the meaning of the California Business and Professions Code;

f. Whether Defendants' acts were willful, oppressive, and fraudulent;

g. Whether members of the public were likely to be deceived by Defendants' misrepresentations;

h. Whether Defendants' conduct constitutes deception, fraud, unconscionable and unfair commercial practices, false pretenses, false promises, misrepresentations, and/or knowing concealments of material facts within the meaning of New York General Business Law § 349;

i. Whether Defendants' packaging constitutes an "advertisement" within the meaning of the New Jersey Consumer Fraud Act;

j. Whether Defendants' pasta products are "merchandise" within the meaning of the New Jersey Consumer Fraud Act;

k. Whether Defendants misrepresented the characteristics, benefits, or qualities of their products in violation of the Michigan Consumer Protection Act.

l. Whether Defendants received a benefit from Plaintiffs and Class Members;

m. Whether it would be unjust for Defendants to retain such a benefit;

n. Whether Defendants injured Plaintiffs and the Class and the appropriate measure of those damages;

o. Whether punitive damages are appropriate; and

p. Whether injunctive relief is appropriate and what specific injunctive relief should be ordered.

116. **Typicality.** Plaintiffs' claims are typical of other Class Members' claims, because they purchased Dreamfields pasta during the class period and have suffered damages of the same type and in the same manner as the Classes they seek to represent. All Class Members, including Plaintiffs, are similarly affected by Defendants' wrongful conduct.

117. **Adequacy**. Plaintiffs can and will fairly and adequately represent and protect the Class Members' interests and have no interests that conflict with or are antagonistic to the Class Members' interests. Moreover, Plaintiffs' attorneys are experienced and competent in class-action litigation.

118. **Rule 23 (b)(2).** Class action status also is warranted under Rule 23(b)(2) because Defendants have acted on grounds that apply generally to the Classes, so that final injunctive relief is appropriate respecting the Classes as a whole.

119. **Rule 23(b)(3).** Class action status also is warranted under Rule 23(b)(3) because the questions of law and fact outlined above predominate over any individual questions that may

exist within the Classes. A class action is superior to other methods for the fair and efficient adjudication of this controversy. Treatment as a class action will permit a large number of similarly situated persons to adjudicate their common claims in a single forum simultaneously, effectively, and without the duplication of effort and expense that numerous individual actions would engender. Class treatment will also permit the adjudication of relatively small claims by many Class Members who otherwise could not afford to litigate claims such as those asserted in this Complaint. This Class action presents no difficulties in management that would preclude maintenance as a class action.

VI. EQUITABLE TOLLING AND FRAUDULENT CONCEALMENT

120. Throughout the class period, Defendants affirmatively and fraudulently concealed their illegal conduct.

121. Defendants never told Plaintiffs or other class members that their statements regarding Dreamfields pasta were untrue and took affirmative steps to conceal the true nature of Dreamfields pasta. Accordingly, Plaintiffs and class members could not have even suspected Defendants' statements were untrue until at least January 2011 when Drs. Nuttall and Gannon published their study of the glycemic response of test subjects to Dreamfields pasta.

122. Even after the Nuttall/Gannon study was published, Defendants took several affirmative steps to conceal the true nature of Dreamfields pasta. For example, Dreamfields President, Michael Crowley, appeared on a webcast to address the Nuttall/Gannon study.[54] In the interview, Crowley affirmed the claims on Dreamfields' packaging and suggested the company had its own scientific research that supported their false claims regarding net digestible

[54] *See* Moore, Jimmy, Dreamfields President: We Stand Behind The Nutritional Claims Of Our Low-Carb Pasta, (http://livinlavidalowcarb.com/blog/dreamfields-president-mike-crowley-we-stand-behind-the-nutritional-claims-of-our-product/10785) (Exhibit M).

carbs and lower glycemic index. Defendants then issued a press release in June 2011 claiming to have performed their own study of eight test subjects and that their glycemic response to Dreamfields supported Defendants' statements.[55]

123. Plaintiffs, through reasonable diligence, could not have suspected that Dreamfield's packaging included untrue statements regarding net carbohydrates, glycemic index and the pasta's effect on blood sugar.

124. As a result of Defendants' fraudulent concealment, the applicable statute of limitations affecting Plaintiffs and the class members' claims has been tolled. Plaintiffs and the class members did not discover, nor could they have suspected through reasonable diligence, that Defendants were falsely advertising Dreamfields pasta because of the deceptive practices and techniques of secrecy employed by Defendants to avoid detection and affirmatively conceal their violations.

125. As a result of Defendants' fraudulent concealment, Plaintiffs assert the tolling of the statute of limitations affecting the causes of action alleged herein.

VII. CLAIMS FOR RELIEF

FIFTH CAUSE OF ACTION
(On behalf of the New Jersey Subclass for Violation of New Jersey Consumer Fraud Act § 56:8-2.10)

126. Plaintiffs incorporate the above allegations by reference as if fully set forth herein.

127. Defendants' product packaging constitutes an "advertisement" within the meaning of § 56-8-1(a) of the New Jersey Fraud Act, as it is an attempt by publication, dissemination,

[55] *See* Tungland, Bryan, Glycemic Response to Ingested Dreamfields Pasta, June 10, 2011, page 2,(http://www.dreamfieldsfoods.com/downloads/DreamfieldsPastaGlycemicResults_v4_bt_6_10_11.pdf) (Exhibit P).

solicitation, indorsement, or circulation to induce consumers to acquire an interest in Defendants' merchandise.

128. Defendants' Dreamfields pasta products constitute "merchandise" within the meaning of § 56-8-1(c), as they are directly or indirectly offered to the public for sale and fall within one of the statutory categories of objects, wares, goods, commodities, services, or "anything."

129. Defendants' food or food products are misrepresented within the meaning of § 56:8-2.10, as the descriptions of said products are misleading, the descriptions omit information in ways that render the description false or misleading, and/or the descriptions represent the merchandise the food or food products as having qualities they do not have.

130. Specifically, Defendants have violated, and continue to violate, the New Jersey Fraud Act by representing that Dreamfields pasta products have only 5 grams of "digestible" carbohydrates, a "65% lower glycemic index" than traditional pasta, and helps control blood sugar levels. In reality, Defendants' products do not perform differently than lower cost pastas that do not bear such representations.

131. Plaintiffs, on their own behalf, and on behalf of the Class Members, seek damages, injunctive relief, including an order enjoining Defendant's violations of the New Jersey Consumer Fraud Act alleged herein, and court costs and attorneys' fees.

SECOND CAUSE OF ACTION
(On behalf of the California Subclass for Violation of the unfair competition law, California business and professions code §§ 17200 *et seq.*)

132. Plaintiffs hereby incorporate by reference the allegations contained in the preceding paragraphs of this Complaint.

133. The Unfair Competition Law ("UCL"), California Business and Professions Code §§ 17200 *et seq.*, provides for injunctive relief from persons engaging in unfair competition, which includes "any unlawful, unfair or fraudulent business act or practice," and "unfair, deceptive, untrue or misleading advertising."

134. The UCL covers Defendants' business practice of labeling Dreamfields pasta products as containing only 5 grams of "digestible carbohydrates," as having a 65% lower "glycemic index," and as helping to control blood sugar.

135. As corporations, Defendants are "persons" subject to the UCL, California Business and Professions Code § 17201.

136. Defendants' packaging and labeling materials violate the UCL. (a) It is an unlawful business practice under the UCL because it violates California Civil Code § 1770(a)(5), which prohibits "[r]epresenting that goods or services have . . . characteristics [or] benefits . . . which they do not have," and California Civil Code § 1770(a)(7), which prohibits "[r]epresenting that goods or services are of a particular standard, quality, or grade . . . if they are of another."

137. Defendants represent that Dreamfields pastas have only 5 grams of "digestible" carbohydrates per serving and a "65% lower glycemic index" than other pastas enabling consumers to better control their blood sugar levels when they do not, in fact, possess these qualities.

138. These misstatements are also unlawful business practices because they violate the False Advertising Law. The label relating to the pasta's "digestible" carbohydrates, glycemic index, and blood sugar control is false and misleading to consumers.

139. It is an unfair business practice because the injury in fact suffered by Plaintiffs and other consumers is substantial, cannot reasonably be avoided, and outweighs any benefits to

consumers. Defendants' practice of marketing products with non-existent blood sugar control attributes yields no benefits to consumers but does cause substantial injury in fact in that consumers pay for products that they would not otherwise buy. Consumers cannot reasonably avoid such injury because they have no reasonable way of knowing Dreamfields pasta products do not possess the promised attributes.

140. It violates California's Sherman Law because Defendants' Dreamfields products are misbranded in violation of California's Health and Safety Code, §§ 109875, *et seq*., which declares that food is misbranded if its labeling is false or misleading in any particular way and further provides that it is unlawful for any person to misbrand any food. Cal. Health & Saf. Code, §§ 110660, 110765.

141. The label also violates the UCL because it constitutes unfair, deceptive, untrue, and misleading advertising by representing a product as having qualities, characteristics, and benefits that it does not have. Members of the public are likely to be deceived by such misrepresentations.

142. Pursuant to California Business and Professions Code § 17203, Plaintiffs and members of the Class seek restitution, disgorgement of profits, and an order enjoining Defendants from marketing its misbranded products.

THIRD CAUSE OF ACTION
(On behalf of the California Subclass for Violation of the False Advertising Law, California Business and Professions Code §§ 17500 *et seq.*)

143. Plaintiffs incorporate the above allegations by reference as if fully set forth herein.

144. Plaintiffs assert this cause of action for violations of California Business and Professions Code §§ 17500 *et seq*., regarding untrue advertising.

145. Defendants sold mislabeled food products nationwide and in California during the class period.

146. Defendants engaged in a scheme of offering misbranded food products for sale to Plaintiff and Class Members by way of product packaging and labeling. These materials misrepresented and/or omitted the true contents and nature of Defendants' pasta products. Defendants' advertisements and inducements were made in California and come within the definition of advertising as contained in Business and Professions Code §§ 1750 *et seq.* in that the product packaging and labeling were intended as inducements to purchase Dreamfields' pasta and are statements disseminated by Defendants to Plaintiffs and Class Members. Defendants knew, or in the exercise of reasonable care, should have known that these statements were untrue.

147. In furtherance of its plan and scheme, Defendants prepared and distributed in California and nationwide via product packaging and labeling statements that falsely advertise the composition of Defendants' pasta products and misrepresent the nature of those products. Plaintiffs and Class Members were the intended targets of such misrepresentations and would reasonably be deceived by Defendants' materials.

148. Defendants' conduct in disseminating untrue advertising throughout California and nationwide deceived Plaintiff and Class Members by representing that the pasta products had properties that they do not, in fact, possess. Such misrepresentations violate the "untrue prong" of California Business and Professions Code § 17500.

149. As a result of Defendants' violation of the "untrue prong" of California Business and Professions Code §§ 17500 *et seq*., Defendants have been unjustly enriched at the expense of Plaintiffs and Class Members. Misbranded products cannot be legally sold or held and had no

economic value and, as a matter of law, are worthless. Plaintiffs and Class Members paid premium prices for misbranded food products.

150. Plaintiffs and Class Members, pursuant to Business and Professions Code § 17535, are entitled to an order enjoining such future misconduct by Defendants and such other orders and judgments that may be necessary to disgorge Defendants' ill-gotten gains and restore any money paid for Defendants' misbranded food products by Plaintiffs and Class Members.

FOURTH CAUSE OF ACTION
(On behalf of the California Subclass for Violation of Consumers Legal Remedies Act, Cal. Civ. Code §§ 1750 *et seq.*)

151. Plaintiffs incorporate the above allegations by reference as if fully set forth herein.

152. This third cause of action is brought pursuant to the CLRA.

153. Defendant's acts were willful, oppressive, and fraudulent, thus supporting an award of punitive damages.

154. Plaintiffs and Class Members are entitled to actual and punitive damages against Defendants for their violations of the CLRA. In addition, pursuant to Cal. Civ. Code § 1782(a)(2), Plaintiffs and Class Members are entitled to an order enjoining the above-described acts and practices providing restitution to Plaintiffs and Class Member, ordering payment of costs and attorneys' fees, and any other relief deemed appropriate and proper by the Court pursuant to Cal. Civ. Code § 1780.

155. Defendants' actions, representations, and conduct have violated, and continue to violate the CLRA, because they extend to transactions that are intended to result, or which have resulted, in the sale of goods or services to consumers.

156. Defendants sold misbranded food products nationwide and in California during the Class Period.

157. Plaintiffs and Class Members are "consumers" as the term is defined by the CLRA in Cal. Civ. Code § 1761(a).

158. Defendants' misbranded food products were and are "goods" within the meaning of Cal. Civ. Code § 1761(a).

159. By engaging in the conduct set forth herein, Defendants violated and continue to violate Section 1770(a)(5) of the CLRA, as Defendants' conduct constitutes an unfair method of competition and unfair or fraudulent act or practice in that it misrepresents the particular ingredients, characteristics, uses, and benefits of the goods.

160. By engaging in the conduct set forth herein, Defendants violated and continue to violate Section 1770(a)(7) of the CLRA, as Defendants' conduct constitutes an unfair method of competition and unfair or fraudulent act or practice in that it misrepresents the particular standard, quality, or grade of the goods. Members of the public are likely to be deceived by such misrepresentations.

161. By engaging in the conduct set forth herein, Defendants violated and continue to violate Section 1770(a)(9) of the CLRA, as Defendants' conduct constitutes an unfair method of competition and unfair or fraudulent act or practice in that Defendants advertise goods with the intent not to sell the goods as advertised.

162. By engaging in the conduct set forth herein, Defendants violated and continue to violate Section 1770(a)(16) of the CLRA, as Defendants' conduct constitutes an unfair method of competition and unfair or fraudulent act or practice in that Defendants represent that a subject

of a transaction has been supplied in accordance with a previous representation when they have not.

163. Plaintiffs request that the Court enjoin Defendants from continuing to employ the unlawful methods, acts, and practices alleged herein pursuant to Cal. Civ. Code § 1780(a)(2). If Defendants are not restrained from engaging in these practices in the future, Plaintiffs and Class Members will continue to suffer harm.

164. Pursuant to Section 1782(a) of the CLRA, Plaintiffs' counsel is serving Defendants with notice of Defendants' violations of the CLRA by certified mail, return receipt requested.

165. If Defendant fail to provide appropriate relief for their violations of the CLRA within thirty (30) days of their receipt of the CLRA demand notice, then, pursuant to Sections 1780 and 1782(b) of the CLRA, Plaintiffs are entitled to recover actual damages, punitive damages, attorneys' fees and costs, and any other relief the Court deems proper.

166. Consequently, Plaintiffs and Class Members are entitled to actual and punitive damages against Defendants for their violations of CLRA. In addition, pursuant to Cal. Civ. Code § 1782(a)(2), Plaintiffs and the Class will be entitled to an order enjoining the above-described acts and practices, providing restitution to Plaintiffs and the Class, ordering payment of costs and attorneys' fees, and any other relief deemed appropriate and proper by the Court pursuant to Cal. Civ. Code § 1780.

FIFTH CAUSE OF ACTION
(On behalf of the New York Subclass for Violation of New York General Business Law § 349)

167. Plaintiffs incorporate the above allegations by reference as if fully set forth herein.

168. Defendants' actions alleged herein constitute unlawful, unfair, deceptive, and fraudulent business practices. Those actions include misrepresenting that Dreamfields pastas have only 5 grams of "digestible carbohydrates," a 65% lower "glycemic index," and help to control blood sugar.

169. Defendants' conduct constitutes acts, uses and/or employment by Defendants or their agents or employees of deception, fraud, unconscionable and unfair commercial practices, false pretenses, false promises, misrepresentations and/or the knowing concealment, suppression, or omission of material facts with the intent that others rely upon such concealment, suppression or omission, in connection with the sale or advertisement of goods in violation of section 349 of New York's General Business Law.

170. Defendants' acts and omissions were generally directed at the consuming public.

171. The unfair and deceptive trade acts and practices of Defendants have directly, foreseeably, and proximately caused damages and injury to Plaintiffs and other members of the Class.

172. Defendants' violations of Section 349 of New York's General Business Law have damaged Plaintiffs and other Class Members, and threaten additional injury if the violations continue.

173. Defendants' acts and omissions, including Defendants' misrepresentations regarding Dreamfields pasta, have caused harm to Class Members in that Class Members have paid higher prices for Dreamfields than they would have paid for comparable pastas not packaged with misrepresentations in relation to net carbohydrates, the glycemic index, and the product's ability to control blood sugar levels or refrained from purchasing any pasta in absence of such misrepresentations.

174. Plaintiffs, on their own behalf, and on behalf of the Class Members, seek damages, injunctive relief, including an order enjoining Defendant's Section 349 violations alleged herein, and court costs and attorneys' fees, pursuant to NY Gen Bus. Law § 349.

SIXTH CAUSE OF ACTION
(On behalf of the Michigan Subclass for Violation of Michigan Consumer Protection Act)

175. Plaintiffs incorporate the above allegations by reference as if fully set forth herein.

176. Plaintiffs assert this cause of action for violations of the Michigan Consumer Protection Act, MCLS § 445.903.

177. Defendants sold Dreamfields pasta products nationwide and in Michigan during the class period.

178. Defendants misrepresented that Dreamfields pasta products have characteristics, uses, and benefits that the products do not have in violation of MCLS § 445.903(1)(c), namely, that Dreamfields pasta contains only 5 grams of "digestible" carbohydrates per serving, that it has a "65% lower glycemic index" than regular pasta, and that it helps control blood sugar.

179. Defendants misrepresented that Dreamfields pasta products are of a particular standard, quality, or grade in violation of MCLS § 445.903(1)(e), namely, that Dreamfields pasta contains only 5 grams of "digestible" carbohydrates per serving, that it has a 65% lower glycemic index than regular pasta, and that it helps control blood sugar.

180. As a result of Defendants' misrepresentations, Plaintiffs and Class Members have suffered damages as they paid for pasta products that do not possess the attributes, qualities, and benefits represented.

181. Consequently, Plaintiffs and Class Members are entitled to an Order enjoining Defendants from making future misrepresentations and for actual damages pursuant to MCLS § 445.911(1)(b) and MCLS § 445.911(3)(a), respectively.

SEVENTH CAUSE OF ACTION
(On behalf of a nationwide class for Breach of Warranty in violation of Magnuson-Moss Warranty Act 15 U.S.C. § 2301 *et. Seq.*)

182. Plaintiffs incorporate the above allegations by reference as if fully set forth herein.

183. Defendants' product packaging includes the representation that "[m]any leading nutritional experts believe that managing digestible carbohydrates is an important way to help control blood sugar…Dreamfields is the perfect choice for your weight management and blood sugar plans." Further down, Defendants represents that "…Dreamfield's patent pending formula and unique manufacturing process creates a matrix within the pasta, protecting 31 grams of carbohydrates from being digested." Finally, near the bottom, Defendants represents that consumers should "[c]ount 5 grams of carbohydrates per each 56g serving when controlling carbohydrate intake and blood sugar levels to promote good health and weight control. Dreamfields offers many health benefits and has been clinically tested to establish digestible carbohydrate levels." Defendants also claim Dreamfields has only 5 grams of "digestible" carbohydrates, a "65% lower glycemic index" than regular pasta and helps control blood sugar. Such representations constitute an express warranty within the meaning of the Magnuson-Moss Warranty Act, 15 U.S.C. § 2301 *et seq*.

184. Specifically, Defendants are warranting that their pasta products have a specific level of performance in relation to the control of blood sugar levels, namely, that their products are formulated and manufactured in such a manner to guarantee consumers will digest only five

grams of carbohydrates per serving, thus controlling blood sugar and yielding a lower glycemic index than traditional pasta.

185. As noted above, Defendants' products perform no differently than other comparable pasta products.

186. Accordingly, Defendants have breached the express warranty. As a direct and proximate result, Plaintiffs and Class Members have been injured.

187. Consequently, Plaintiffs and Class Members are entitled to actual damages against Defendants for their violations of the Magnuson-Moss Warranty Act and the recovery of costs and reasonable attorneys' fees associated with the prosecution thereof.

EIGHTH CAUSE OF ACTION
(On behalf of a nationwide class for Restitution as a result of Defendant's Unjust Enrichment)

188. Plaintiffs incorporate the above allegations by reference as if fully set forth herein.

189. As a result of Defendants' misconduct in the form of unlawful misrepresentations and misleading labeling, advertising, marketing, and sales of Dreamfields products, Defendants have received a benefit at the expense of Plaintiffs and Class Members that would be unjust for Defendants to retain.

190. As a result of Defendants' unjust enrichment, Plaintiffs and Class Members are entitled to restitution, namely, the return of the financial benefit conferred by Plaintiffs and Class Members on Defendants.

VIII. RELIEF REQUESTED

Accordingly, Plaintiffs and the Classes respectfully request the Court grant the following relief:

a. Certification of the Classes defined in this Complaint pursuant to Federal Rule of Civil Procedure 23(a), (b)(2) and (b)(3), and designating Plaintiffs as representatives for the Classes and its counsel as counsel for the Classes;

b. An award of compensatory damages in favor of Plaintiffs and the Classes against Defendants for all damages sustained as a result of Defendants' false representations, in an amount to be proven at trial, including interest thereon;

c. An award to Plaintiffs and the Classes of their reasonable costs and expenses incurred in this action, including Attorney fees;

d. An order enjoining Defendants from making further misrepresentations regarding Dreamfields pasta; and

e. Such equitable, injunctive or other relief as deemed appropriate by the Court.

IX. JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury of all the claims asserted in this Complaint.

Dated: July 22, 2013

Respectfully submitted,

*s/Daniel Gluck*_____

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Attorneys for Plaintiffs and the Proposed Classes

EXHIBIT A

Dreamfields Pasta

The Delicious & Healthy Way to Help Manage Blood Glucose, Control Weight & Sustain Energy

by Bryan Tungland

Growing world health concerns towards rising obesity and diabetes levels have created renewed interest in dietary caloric contributions of macronutrients (fat, protein, and carbohydrate) to maintain overall good health. Historically, reducing fat was the trend towards maintaining health. Recently, portion control and reducing digestible carbohydrates in the diet have provided means to manage weight and help normalize blood glucose levels. Particular interest has focused on the use of dietary fibers--especially soluble fibers such as guar gum, pectin, locust bean gum, xanthan, psyllium and inulin and insoluble fibers such as resistant starch and resistant dextrins--to help manage weight and control blood glucose levels. The soluble fibers have been shown to modify food microstructure, texture, viscosity and can modify starch granule permeability, while the insoluble fiber generally reduces the amount of digestible carbohydrates in a food. Both influence the blood glucose rise. Research has shown that changes in food microstructure and influence on starch granule wall permeability ultimately have direct influence on the amount starch degraded during digestion and the amount of resulting glucose that is absorbed. These changes influence a foodís glycemic index, which is a measure of the speed at which the carbohydrates in the food are digested and absorbed as glucose. Research has also shown a relationship between the rate of carbohydrate degradation during digestion, and the effects on postprandial blood glucose and hormonal levels, especially those affecting satiety and energy.

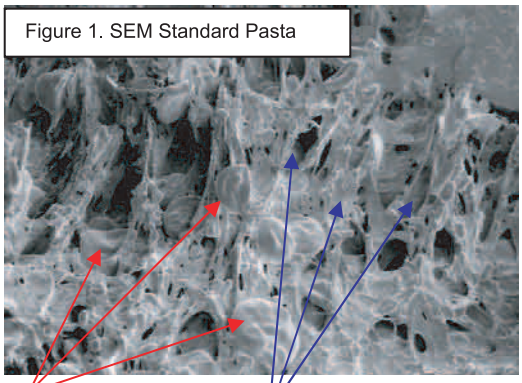
Related to meeting the goals of maintaining proper weight, blood glucose control and sustainable energy, is the type of fuel the body takes in (caloric diversity and value) and how the body uses its fuel (metabolism). A key element in regulating caloric intake and utilization by the body is the amount and type of dietary fiber consumed.

It is therefore not surprising that the possibility of exploiting the diet with healthy multi-fiber containing foods, like **Dreamfields** pasta, to meet these metabolic goals is gaining ever-increasing interest.

Discussion

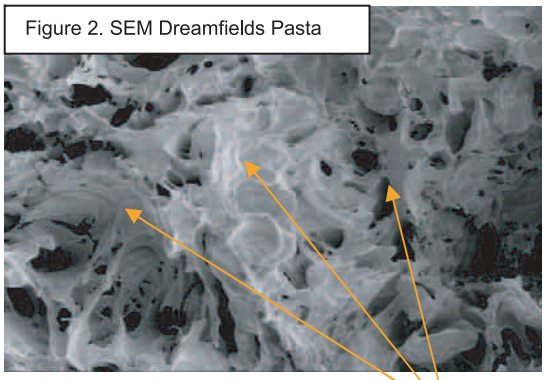
Dreamfields pasta products contain a technology utilizing a specific blend of dietary fibers and proteins that are balanced to provide functional properties to modify the productís microstructure and influence starch granule permeability. These changes, shown by scanning electron microscopy, can help provide effective metabolic modification to influence satiety, weight, blood glucose levels and energy, Figures 1 and 2. As compared to regular pasta, changes to the pastaís microstructure and starch granule permeability reduce starch digestibility and reduce by 65% the rise in blood sugar, as measuredby the glycemic index (GI). Various fibers also have significant influence on hormonal responses and energy management in the body.

Figure 1. SEM Standard Pasta



- Visible embedded starch granules (swollen discs & small pellets)
- Filamentous protein matrix

Figure 2. SEM Dreamfields Pasta



- No visible starch granules
- Complexed protein-hydrocolloid filamentous mass

The glycemic index (GI) has been developed as a means to measure how the body responds to foods, or more specifically to carbohydrates in foods. Foods with a high GI cause a rapid rise in blood glucose, while foods with a low GI maintain a relatively constant blood glucose level, also a longer period of time (more than 2 hours).

Since glucose is the main energy source for the body, changes in blood glucose levels are directly related to changes in energy supply. High GI foods are a rapid energy source, but create a rapid feeling of hunger as glucose levels quickly drop. By comparison, low GI foods that are high in fiber, like **Dreamfields** pasta, with their more constant release of energy, not only prevent such hunger feelings, but also give a more constant energy supply.

By comparison, white bread has a GI of 100, while **Dreamfields** pasta has a GI of 13. Associated with the rise in blood glucose, the insulin levels in the blood also rise. This hormonal response elicited by the rise in glucose has major physiological consequences; very important is that insulin promotes storage processes and inhibits breakdown ones. Insulin signals the body to take up glucose and store it in muscle cells as glycogen and in fat cells as fat. This is important as glycogen is the storage form that is most easy for the muscles to use as energy for activity. Insulin is also connected with hunger suppression (satiety) feelings through its influence on other satiety-inducing hormones.

By influencing blood glucose rise, fiber has been shown to play a key role in caloric intake control and reduced risk for development of obesity[1,7,10,11]. Fiber's role in caloric intake control is related to its unique physical and chemical properties that aid the body's early signals of feeling full and its prolonged signals of hunger suppression[1]. The type of fiber is as important as the amount in the diet. Early signals of feeling of fullness is mainly as a result of a particular fiber binding water and swelling to occupy more space, such as the insoluble, bran-type fibers; and the soluble, thickening fruit and vegetable fibers, such as pectin and food gums. Both of these types are found in **Dreamfields** pasta. Table 1 illustrates the comparison between fiber type, fiber amount and GI in pasta. Signals of hunger suppression that act for prolonged periods are generally the outcome of certain soluble fibers, most notably the thickening-type fibers, like the pectin and xanthan gum found in **Dreamfields**, to enhance hunger suppression through their gel-forming effect on the small intestine contents[1,10,11]. These fibers slow a particular meal's movement and delay absorption of sugar and fat from the diet, and are later fermented in the large intestine and provide effects on liver metabolism for longer term hunger suppression. Other fibers, which do not exhibit gelforming properties, notably the soluble, low viscosity fibers, like the inulin found in **Dreamfields**, also have satiety effects[2,5]. Research indicates that inulin has influence on release of incretins or hunger-suppressing gut hormones, glucose-like peptide-1(7-36)amide (GLP-1), glucose-dependent insulinotropic polypeptide (GIP) and ghrelin, by its influence on insulin release[2,3,4,6,8,9]. Research further suggests that inulin intake increases satiety following consumption of a meal and reduces hunger and prospective food consumption following a meal[2]. Moreover, the gel-forming soluble fiber-types also reduce absorption of fat, helping to prevent it from being transported to the body for storage in fat cells.

Table 1. Pasta Comparative Facts: 56 gram serving size

Pasta Serving Facts	Dreamfields Pasta	Standard Pasta	Whole wheat pasta
Glycemic Index (GI)	13	38	37
Fiber (Total)	5 grams	2 grams	6 grams
Insoluble Fiber	2 grams	2 grams	5 grams
Soluble Fiber	3 grams	0 grams	1 grams

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EXHIBIT B

Pasta Strikes Back

Companies are producing noodles with less carbs and more vitamins, but how do they taste?

From: http://www.presstelegram.com/
By Alessandra Djurklou, Staff writer

Though the low-carb craze is waning, high-carb food manufacturers, such as bakers and pasta makers, are still feeling the pinch in their profits. Add to that the increased awareness of diet-induced diabetes and other illnesses, and it's no surprise that "healthier' foods from these companies are rolling into markets every day.

When even Italian pasta giant Barilla jumps on the bandwagon, however, you know it's serious. That's why I decided to dedicate a Test Kitchen column to these "healthier' pastas, though I still eat regular pasta with abandon.

Along with a willing guinea pig, I tested four brands, including the aforementioned

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Barilla's new product. "Barilla PLUS' is not technically a low-carb pasta, though with more protein and fiber, it is clearly meant to attract that set of consumers.

In fact, of the four brands I tested, only Dreamfields was directly aimed at low-carb dieters. Ronzoni's "Healthy Harvest' line was aimed at high-fiber lovers, while Anthony's offered enriched noodles as well as low-carb ones. For the purposes of my test, I went with Anthony's enriched rainbow rotini.

For a control, I included a sample of Barilla's regular pasta.

To ensure that each sample wasn't overwhelmed by a strong sauce, I simply tossed each with some extra virgin olive oil, salt and pepper and Parmesan cheese.

Interestingly, the winner was the Dreamfields low-carb brand. It was also the most expensive, at $3.79 for a 1-pound box. The other brands all cost less than $2. Dreamfields was also not the most calorie slim. That was Ronzoni, with 180 calories per serving.

Here is how the test broke down:

BARILLA PLUS PENNE

- Price: $1.69 for 1-pound box
- Calories per serving: 200
- Carbs per serving: 38 grams
- Recommended?: Yes

Comments: While smaller and tanner than their regular semolina counterparts, these penne nonetheless had a virtually identical taste and mouth feel. Eating healthy in this case is not a sacrifice, taste-wise or penny-wise, since this product is only 10 cents more than its regular counterpart.

ANTHONY'S RAINBOW ROTINI

- Price: $1.89 for 1-pound bag
- Calories per serving: 210
- Carbs per serving: 41 grams
- Recommended?: Yes

Comments: These rotini are perfectly serviceable, though there is no noticeable taste difference between the so-called spinach rotini and tomato ones. But for a purely cosmetic look, these sure make a pasta salad look pretty.

PENNE WITH OLIVES, BASIL AND CHEESE

- 1 1-pound package penne
- 1 bunch basil, washed, leaves only, roughly chopped
- 4 tablespoons olive oil
- ½ cup grated Parmesan cheese
- 1 cup whole Kalamata olives
- Salt and pepper, to taste

Cook penne according to package specifications. Drain.

While penne are cooking, heat 2 tablespoons oil in a skillet. Add basil, and fry until crisp.

Place cooked pasta in a heated bowl. Add basil, remaining olive oil, cheese and olives. Season. Toss to coat well.

Serve with crusty bread and extra cheese.

Makes 4 dinner servings.

PENNE WITH ZUCCHINI AND RICOTTA

- 2 tablespoons olive oil
- 1 clove garlic, chopped
- 2 pounds zucchini, halved lengthwise and sliced thin
- 1/4 teaspoon salt
- 3/4 teaspoon pepper
- 1 1-pound box penne
- 1 cup ricotta cheese
- 1/4 cup Parmesan cheese
- 1 tablespoon fresh marjoram, chopped

Heat olive oil in a large skillet. Add garlic, and cook until just fragrant. Add zucchini, salt and pepper. Cook over medium heat 8 minutes.

Cook penne according to package directions. Drain, reserving 1 cup cooking liquid.

Add penne and reserved liquid to skillet. Add cheeses and marjoram.

Toss ingredients in skillet for 1 minute, or until sauce thickens.

Makes 4 dinner servings.

DREAMFIELDS FOODS 1600 UTICA AVE S SUITE 350 ST. LOUIS PARK, MN 55416 1-800-250-1917

EXHIBIT C

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With all the news these days about the increasing levels of chronic diseases, such as diabetes, obesity, cardiovascular disease, and certain types of cancer, many of us are starting to take steps to live healthier, more active lives.

As part of that focus, there's been a huge influx of "low carb" programs and products. But the available choices haven't been great – you either have to sacrifice foods you love, such as pasta, or try "low carb" substitutes that really don't taste like the real thing. What's more, trying to cut carbs from your diet altogether isn't necessarily the right way to go, as certain types of carbohydrates are important for our overall health and well-being.

That's why Dreamfields developed the idea of Healthy Living, where you make sensible choices about what you eat and choose foods where you don't have to sacrifice great taste to live a healthier life. And knowing how much people loved pasta, we started there.

We decided we had to make a pasta that the whole family could eat, even if someone wasn't watching their carbs, and that's how Dreamfields was born. We took everything we knew about making pasta, which was a lot, given that our roots are deeply cultivated among the finest durum wheat growers in the world. Our manufacturing company, Dakota Growers Pasta Co., was created in 1990 by farmers who built their own durum mill and pasta production facilities so they could produce the finest pastas. And today, it is a thriving enterprise supplying premium pasta products to leading retailers and restaurants in North America and beyond.

Visit the Dakota Growers website

DAKOTA GROWERS PASTA CO.

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The Dreamfields Way

We had tried many low carb pastas and quite frankly, thought they tasted inferior and not at all like the pasta we knew and loved. Most took out the durum wheat semolina, which gives pasta its authentic taste, and reduced the levels of digestible carbohydrate by adding soy protein and other fillers–all at the expense of the pasta's taste and texture. Now you understand why we had to do better.

Dreamfields developed a new recipe for making pasta that would give us the taste and qualities of pasta we love, with only 5 grams of digestible carbs per serving. We felt so proud of our pasta that we filed for a patent. Our recipe, combined with the process for making the pasta, results in fewer carbohydrates being digested, plus gives you health advantages much like you get from consuming whole grains. And Dreamfields pasta is made with the finest quality durum wheat semolina, with no soy added, which means that you get the authentic taste and al dente texture you expect from pasta.

You don't need to just take our word for it. People who have tried it tell us that Dreamfields has all the taste and texture of their favorite traditional pasta. So we're happy to report that we can all go back to the pasta we love, while still embracing our goal of healthy living. What else can Dreamfields do for you, you ask? We're continuing to develop healthy carb options for a whole range of foods, so keep an eye on us!

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EXHIBIT D

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Dreamfields Continues to Earn Good Housekeeping Seal

Dreamfields Carb Facts:

Total Carbs:	41 g
Fiber:	-5 g
Protected Carbs:	-31 g
Digestible Carbs:	**5 g**

Like other premium pastas, Dreamfields is made from durum wheat semolina, which is why it tastes great. However, Dreamfields' patented formula and unique manufacturing process creates a matrix within the pasta, protecting 31 grams of carbohydrates from being digested.

Nutrition Facts:

Serving Size:	2 oz. dry
Calories:	190
Total Fat:	1 g
Cholesterol:	0 mg
Sodium:	10 mg
Total Carbs:	41 g
Dietary Fiber:	5 g
Sugars:	1 g
Protein:	7 g

Learn more about our products' nutritional values.

Dreamfields® Pasta Healthy Nutrition FAQs

Dreamfields is a delicious pasta with about the same high fiber as whole wheat pasta (5 grams; 20% of the daily recommendation), fewer digestible carbs and a lower glycemic index than traditional pasta. Its delectable taste and nutritional benefits make it a healthful option for people with diabetes and a flavorful, nourishing pasta for the entire family.

We realize that you are conscious about what you eat, so have answered some of your questions about our products. For definitions of other terms found throughout our site, visit our online glossary.

What makes Dreamfields Pasta unique?

Why do you say that Dreamfields Pasta only has 5 grams of digestible carbs when the nutrition label states that it has 41 grams of carbohydrates?

What is inulin?

How can Dreamfields Pasta have a 65% lower Glycemic Index (GI) than traditional pasta?

How can those with diabetes use Dreamfields "digestible carbs" to manage their carbohydrate intake?

How are "digestible carbohydrates" different from "net carbohydrates"?

Q. What makes Dreamfields Pasta unique?

A. Like other premium pastas, Dreamfields Pasta is made primarily with durum wheat semolina, which is why it tastes great. The pasta is unique because:

- Dreamfields' patented recipe and manufacturing process protects all but 5 grams of the carbohydrates per serving from being digested and therefore lessens post-meal blood glucose rise as compared to traditional pasta.
- Dreamfields contains inulin, a 100 percent natural prebiotic fiber found in common foods such as artichokes, asparagus, garlic and raisins. By providing a food source for the healthy bacteria living in the gut, prebiotics such as inulin may: help promote healthy digestion, support a healthy immune system, and improve calcium absorption. Inulin is a soluble fiber (like that found in oats, peas and apples) which means it dissolves easily in water and may improve regularity. Soluble fiber can also help reduce cholesterol and glucose levels.
- Dreamfields Pasta is the only pasta clinically shown to have a lower glycemic index than traditional pasta (65% lower).
- Dreamfields has all of the taste and texture of traditional pastas.

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Q. Why do you say that Dreamfields Pasta only has 5 grams of digestible carbs when the nutrition label states that it has 41 grams of carbohydrates?

A. While the total number of carbohydrates is the same as traditional pasta, our patented formula and unique manufacturing process protects all but 5 grams of carbohydrates from being digested. The Dreamfields fiber and protein blend creates a protective barrier to reduce starch digestion in the small intestine. The unabsorbed, or protected carbohydrates then pass to the colon where they are fermented, providing the same health benefits as fiber.

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Q. What is inulin?

A. Inulin is a 100% natural fruit and vegetable fiber found in common foods like artichokes, asparagus, garlic and raisins. Inulin has many health promoting benefits – it is a prebiotic fiber, meaning that it is food for the "good" bacteria (bifidobacteria and lactobacilli) that live in the colon, and may help improve digestive health. These bacteria grow and produce fermentation products that may also help support a healthy immune system, modulate glucose and lipid metabolism in the liver, help improve calcium absorption, and help keep the colon functioning properly for recycling of water and electrolytes. Inulin is a soluble fiber (like that found in oats, peas and apples) which means it dissolves easily in water and may improve regularity. Soluble fiber can also help reduce cholesterol and glucose levels. More info >>

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Q. How can Dreamfields Pasta have a 65% lower glycemic index (GI) than traditional pasta?

A. The glycemic index (GI), in simple terms, measures the quality of carbohydrates in a food item. This is measured by how quickly the body breaks down carbohydrates and converts the carbohydrates into glucose.

The glycemic index is measured on a scale from 1 to 100. Foods with a high GI break down quickly during digestion, causing a high and quick blood-glucose response. Low GI foods break down more slowly and release glucose into the bloodstream at a much lower and slower rate. Dreamfields' unique fiber and protein blend enables its pasta to have a glycemic index that is 65 percent lower than traditional pasta (Dreamfields GI=13; traditional pasta GI=38). This blend also protects all but 5 grams of the carbohydrates per serving from being digested and therefore lessens post-meal blood glucose rise as compared to traditional pasta. We carefully monitor and clinically test our pasta on healthy people to ensure accuracy of its stated GI level.

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Q. How can those with diabetes use the "digestible carbs" in Dreamfields to manage their carbohydrate intake?

A. Many people with diabetes who consult with a registered dietitian or diabetes educator use a food's glycemic index (GI) and glycemic load (GL) as tools to help manage their daily food intake and blood glucose levels. The digestible carbs in Dreamfields are calculated in the same way that a food's GL is established, and thus the values of the two terms are equivalent: Dreamfields has 5 digestible carbohydrates, or a glycemic load of 5 units, for a standard serving (2 ounces dry or about 5 ounces cooked).

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Q. How are "digestible carbohydrates" different from "net carbohydrates"?

A. Dreamfields' "digestible carbohydrates" are determined by a clinical method that measures the blood glucose response of the whole food to establish its content of digestible carbohydrates or glycemic load. This is unlike net carbohydrates, which is simply determined by estimating the digestibility of individual food components (e.g. subtracting fiber from total carbohydrates). The clinical testing is conducted at an independent clinical laboratory.

Many people with diabetes who consult with a registered dietitian or diabetes educator use a food's Glycemic Index (GI) and Glycemic Load (GL) as tools to help manage their daily food intake and blood glucose levels.

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Q. Isn't the low carb craze over?

A. Carbohydrate consciousness is as top-of-mind with consumers and the media as ever. Now, however, we're focusing on including the right carbs in our everyday diets. The 2008 American Diabetes Association (ADA) Clinical Practice Recommendations include a statement recognizing the increasing evidence that weight-loss plans that restrict carbohydrates or fat calorie intake are equally effective for reducing weight in the short term.

- It is still recommended to consume about 130 grams of carbohydrates per day to provide adequate glucose as the required fuel for the central nervous system without reliance on glucose production from ingested protein or fat.
- Calorie balance – not the source of the calories – is the key factor in weight loss.

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Q. Is Dreamfields just for people with diabetes?

A. With only 5 grams of digestible carbohydrates per serving and with a 65% lower GI than traditional pasta, Dreamfields is a healthy pasta option to help people with diabetes manage post-meal blood glucose levels when included as part of an overall healthful eating plan. However, because Dreamfields is high in fiber and low in carbohydrates, it's a healthy pasta option for everyone in the family. Plus, with all the taste and texture of traditional pasta, everyone will enjoy the meal.

Go to top

Q. Is Dreamfields a whole wheat pasta?

A. No. Dreamfields is made primarily with enriched durum wheat semolina which is why it has all the taste and texture of a premium pasta. Whole wheat pastas typically contain some durum wheat semolina, but are made predominately with whole wheat flour, giving them a strong taste and gritty texture. Dreamfields' patented recipe gives it about the same high fiber as whole wheat pasta (5 grams; 20% of the daily recommendation). Most of the fiber in Dreamfields comes from inulin, which is a soluble fiber (like that found in oats, peas and apples) meaning it dissolves easily in water and may improve regularity. Soluble fiber can also help reduce cholesterol and glucose levels.

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Q. Where can I find Dreamfields?

A. Dreamfields is available nationwide in most grocery stores, and online via Amazon.com, carbsmart.com, netrition.com, vivalowcarb.com and other online stores (google: "Dreamfields pasta") You may also purchase your favorite pasta shapes by the case through the Dreamfields Online Store at www.buydreamfields.com.

Go to top

Q. What's the best way to prepare and eat Dreamfields Pasta?

A. Dreamfields is as easy to prepare as traditional pasta. Recommended cooking times are provided on each package. Cooking time will vary slightly with the type of pasta product. As with all pasta, it's best cooked al dente, and not overcooked. Dreamfields' great taste and various shapes
go perfectly with all types of sauces, proteins and vegetables. The possibilities are endless.
Get delicious recipe ideas now.

Go to top

Q. Can I reheat leftover Dreamfields pasta?

A. For best enjoyment and optimum healthful benefits, Dreamfields should be eaten in one sitting. If you do have leftovers we recommend keeping the pasta and sauce separate. Lightly drizzle the pasta with light vegetable oil to keep it from sticking and store in an airtight container for up to 36 hours. Reheat on low heat or microwave. Even with these precautions, the protective matrix may still be damaged depending on your individual circumstances. Tomato sauce and other high acid sauces may break down the protective matrix over time. This does not occur in the time it normally takes to eat a meal but may occur if the meal is stored as a left over and then reheated. The amount of acidity in the sauce, the amount of time the meal is stored and the temperature and time of reheating may all have an effect.

Does This Include Lasagna? Our lasagna is specially formulated not to break down when prepared according to the recipe on the carton, which calls for boiling the noodles for 12 ⁄ 14 minutes, draining and rinsing with cold water. Then assemble the noodles with the other ingredients and bake in a 375 degree oven for 45 minutes covered with foil and then an additional 10 minutes uncovered. We have tested the lasagna noodles prepared this way and the results show the protective matrix still delivers only 5 grams of digestible carbs per serving.

Go to top

Q. Does overcooking Dreamfields increase the pasta⁄s digestible carbs?

A. For all of Dreamfields pasta shapes, we recommend cooking the pasta as directed on the carton, in boiling water for the appropriate time depending on the shape. It is very important not to overcook Dreamfields because over cooking can damage the protective matrix and increase the digestible carbs per serving. We also recommend pouring any sauce over the pasta just before serving. If the pasta is mixed in a pan with the sauce, do this only over low heat for a short amount of time.

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DREAMFIELDS FOODS 1600 UTICA AVE S SUITE 350 ST. LOUIS PARK, MN 55416 1-800-250-1917

EXHIBIT E

THE PATENT BEHIND DREAMFIELDS PASTA

The US Patent and Trademark Office (USPTO) officially issued on March 6, 2012 US Patent 8,128,977 titled “Reduced Digestible Carbohydrate Food Having Reduced Blood Glucose Response”

This technology is licensed exclusively to Dakota Growers Pasta Company, Inc., a subsidiary of Viterra, Inc. for the production of Dreamfields Pasta products.

The patented invention takes a blend of durum wheat semolina and combines it with fiber (pectin, xanthan gum and inulin) and wheat proteins. This protein-fiber blend modifies the internal structure within flour-containing foods like Dreamfields pasta by surrounding the starch (carbohydrate) granules, and protects and limits them from swelling when cooked. Unswollen and entrapped, the starch granules are significantly more resistant to digestion. Since they're not digested, the protected carbohydrates are treated like fiber in the large intestine and can provide health benefits to the body.

View the patent at the USPTO website.

EXHIBIT F

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Expert Q&A Home

Browse by Category:
All Categories (91)
About Dreamfields (12)
Blood Glucose (41)
Blood Sugar (40)
Carb Counting (37)
Fiber (10)
Food & Nutrition (38)
Glycemic Index (6)
Insulin (10)

Dreamfields® Pasta Product and Nutrition Expert Q&A

Your Answer Is Below...

Expert Q&A Home > Carb Counting

Q
What makes Dreamfields Pasta unique?
A
Like other premium pastas, Dreamfields Pasta is made primarily with durum wheat semolina, which is why it tastes great. The pasta is unique because:

- Dreamfields' patented recipe and manufacturing process protects all but 5 grams of the carbohydrates per serving from being digested and therefore lessens post-meal blood glucose rise as compared to traditional pasta.
- Dreamfields contains inulin, a 100 percent natural prebiotic fiber found in common foods such as artichokes, asparagus, garlic and raisins. By providing a food source for the healthy bacteria living in the gut, prebiotics

Meal Planning (46)
Prediabetes & Prevention (8)
Sugar & Sweeteners (7)
Type 1 Diabetes (2)
Type 2 Diabetes (9)
Weight Management (7)
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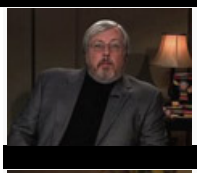
such as inulin may: help promote healthy digestion, support a healthy immune system, and improve calcium absorption. Inulin is a soluble fiber (like that found in oats, peas and apples) which means it dissolves easily in water and may improve regularity. Soluble fiber can also help reduce cholesterol and glucose levels.

- Dreamfields Pasta is the only pasta clinically shown to have a lower glycemic index than traditional pasta (65% lower).
- Dreamfields has all of the taste and texture of traditional pastas.

Dreamfields Pasta: Healthy by Design



Introduction to Diabetes 1.0

How Does Dreamfields Work?

Dreamfields Nutrition Facts Label

VIDEO 1 of 4

us

Category:
Carb Counting

Answered By:
Dreamfields

Try A Different S

To search again, enter key words or phrase your request in the form of a question. To see all questions and answers, go here.

Didn't Find An Answer? Contact Us!
If your search didn't provide the answers you were expecting, please send us your question and we'll do our best to send you an answer as soon as possible.

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55416 1-800-250-1917

EXHIBIT G

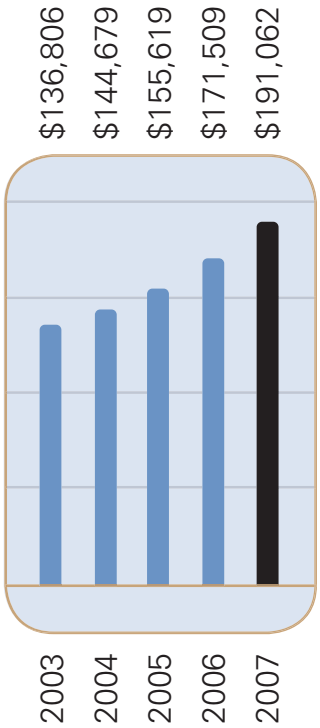
Cultivating Our Roots For Strength and Growth.

Dakota Growers Pasta Company
2007 Annual Report

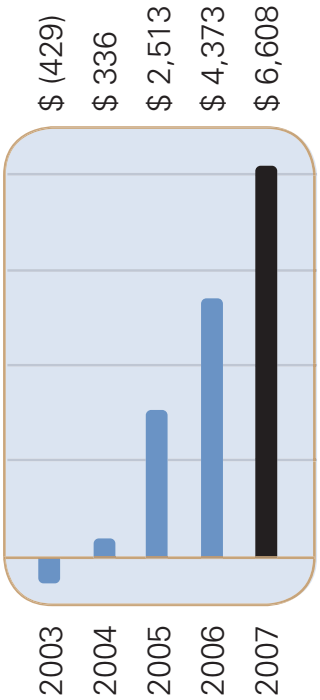
2007 FINANCIAL HIGHLIGHTS

(In Thousands, Except Per Share Data)

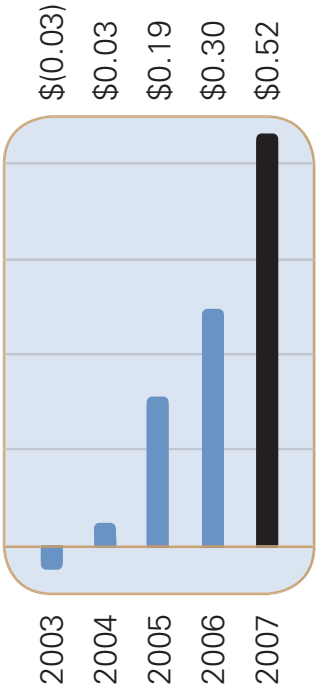
	2007	2006	DOLLAR CHANGE	PERCENTAGE CHANGE
Net Revenues	$191,062	$171,509	$19,553	11.4% ↑
Net Income	$6,608	$4,373	$2,235	51.1% ↑
Earnings per Common Share	$0.52	$0.30	$0.22	73.0% ↑



NET REVENUES
(In Thousands)



NET INCOME
(In Thousands)



EARNINGS PER COMMON SHARE

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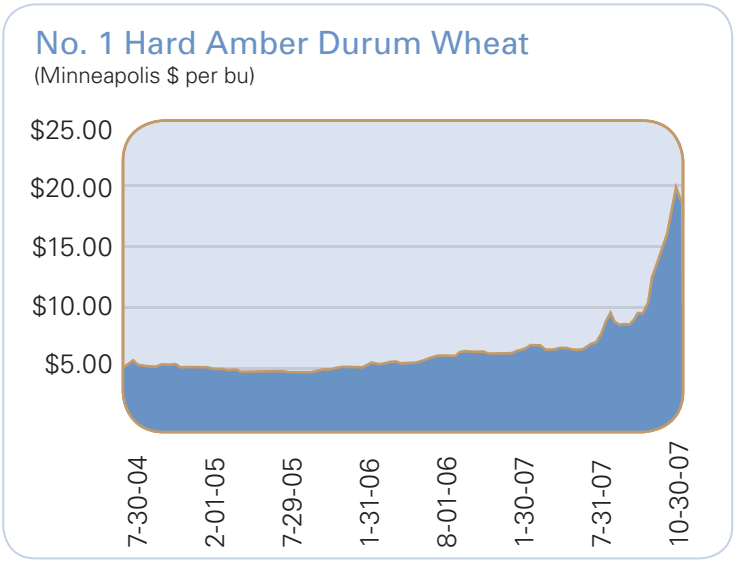
LETTER TO OUR SHAREHOLDERS

Fiscal 2007 marked another record year for Dakota Growers as the pasta industry continued down a path of consolidation and rationalization. Our record operating results for fiscal 2007 were accomplished in a market environment challenged with escalating durum cost and lagging price adjustments. Highlights for fiscal 2007 include:

- Record net revenues of $191.1 million, up 11.4% over 2006
- Net income grew 51% to $6.6 million, compared to $4.4 million in 2006
- Net earnings increased to 52 cents per common share, a 73% increase compared to 30 cents per common share in 2006
- Operating income was up 49% over 2006 at $12.5 million

Pasta revenues grew 10% to $176 million in fiscal 2007, a new Company milestone. The increase resulted from higher per unit selling prices and higher pasta sales volumes, particularly in the ingredient market which was up 25.1% over fiscal 2006. Foodservice sales grew 8.6% while retail increased 5.6%, which was attributed primarily to co-pack sales. We also achieved strong performance from our milling operations as mill sales grew 30% over fiscal 2006, which was attributed to an increase in both traditional and organic semolina sales and higher byproduct values.

The healthy pasta category continued to show impressive growth this past year with volume up 28%, compared to traditional white pasta retail volume sales declining 3.5%. We believe our Dreamfields® brand is well positioned for further expansion in the healthy category as consumers become aware of its healthy attributes. Our successful repositioning of Dreamfields as a low glycemic pasta alternative for people with diabetes boosted sales to $14.6 million as measured by Nielsen, which is a 7% increase over a year ago. The successful marketing effort to reposition Dreamfields led the Company to make the strategic decision to negotiate the purchase of all remaining shares from our DNA Dreamfields partners. The transaction was completed in September 2007, and the Company now has 100% of



Source: Milling and Baking News

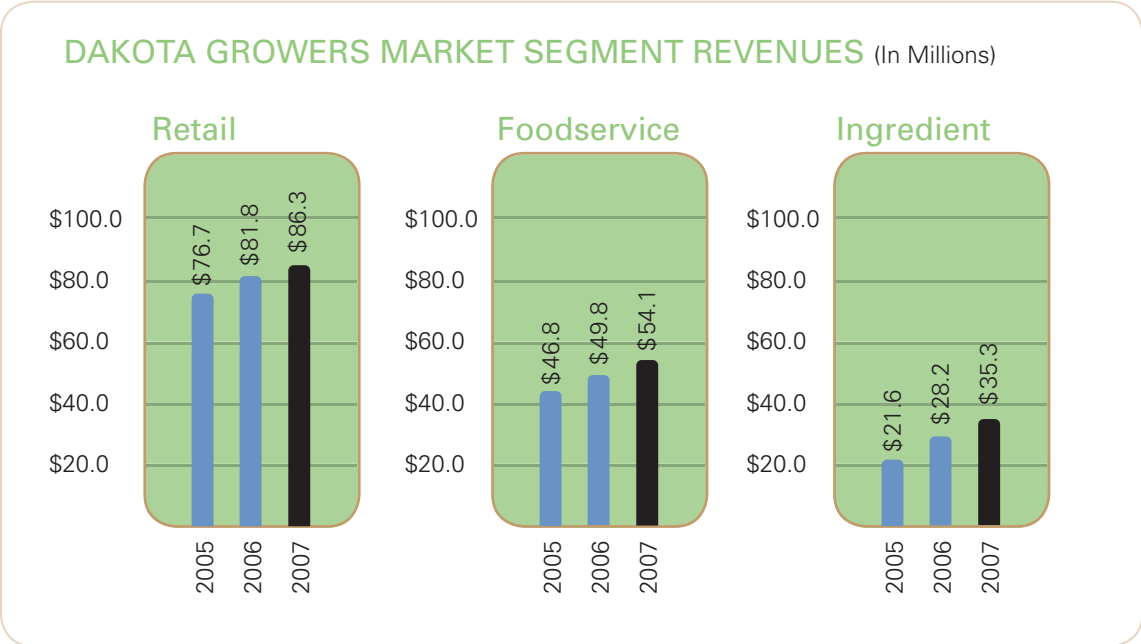
the marketing rights for not only low digestible carbohydrate pasta, but also for any Dreamfields line extensions into rice and potatoes.

Besides growing our market share in the healthy pasta category with Dreamfields, we launched several new whole grain/whole wheat pasta products into the private label sector. Our private label customers have been very pleased with the successful introduction of these new items and have indicated they will extend their private label healthy pasta line, giving us the opportunity to grow a segment of our private label business that offers higher margins.

The successful completion of the New Hope plant expansion and renovation gave us the capacity and flexibility to take advantage of several new business opportunities in fiscal 2007, primarily in the ingredient and co-manufacturing sectors. These opportunities not only filled our new capacity, but allowed us to improve the mix of business between the Carrington and New Hope plants which resulted in improved operating and logistic efficiencies. This, in combination with higher pasta prices and sales volumes, positively impacted fiscal 2007 operating results. These positive factors were partially offset by the higher cost of durum wheat, packaging and other pasta ingredients.

Durum was the primary cost driver in fiscal 2007 and continues to be a major concern going into fiscal 2008. Crop failures in Europe and Australia have created record export demand for North American durum, driving prices to record high levels. The Company has generally been successful in obtaining price increases to offset the higher cost of durum, but the effective dates of the sales price increases often lag behind the increase in durum costs. Fiscal 2008 is no exception, except the negative impact caused by lagging price increases will be somewhat offset with new crop contracts made possible through the expansion of our Farm Direct Program. With bio-fuel crops becoming even more of a threat to durum acres, we feel our Farm Direct Program will continue to be a valuable asset for the Company in securing an adequate supply of durum to meet our customers' future requirements.

Our agronomy research program continues to show good progress in offering growers durum varieties developed by the Company that offer high yield and disease resistance. We were successful in selling all of our available Grand D'oro seed last year for new crop production contracts, which was the back bone to our Farm Direct Program deliveries. We were pleased with the seed increase last season of our new 3141 variety, known now



as DG Star, which is scheduled to be released for our 2008 production contracts. Our expectations are high for DG Star as it continues to show excellent disease resistance, high yields and superior pasta cooking quality. The biggest value we see in DG Star is its potential for moving durum production back into the traditional Durum Triangle growing area of North Dakota, which would benefit the Company by lowering transportation costs to the Carrington mill.

We took an important step in creating liquidity for our shareholders as the Board of Directors approved the repurchase of 3.9 million shares of common stock for a price of $10 per share in fiscal 2007. The transaction was funded by $20 million of new equity from MVC Capital and Labella Holdings and $20 million of debt. We are pleased that MVC Capital and Labella Holdings chose to invest in Dakota Growers at $10 per share. We expect their support and expertise will be of great value to the Company if and when strategic opportunities arise in the future. All in all, we are proud of our fiscal 2007 record results and our growth trend over the past three years. Even with the high cost of durum, we are cautiously optimistic that we can continue the positive trend into fiscal 2008.

Jack Dalrymple

Chairman of the Board

Timothy J. Dodd

President and CEO

AGRONOMY

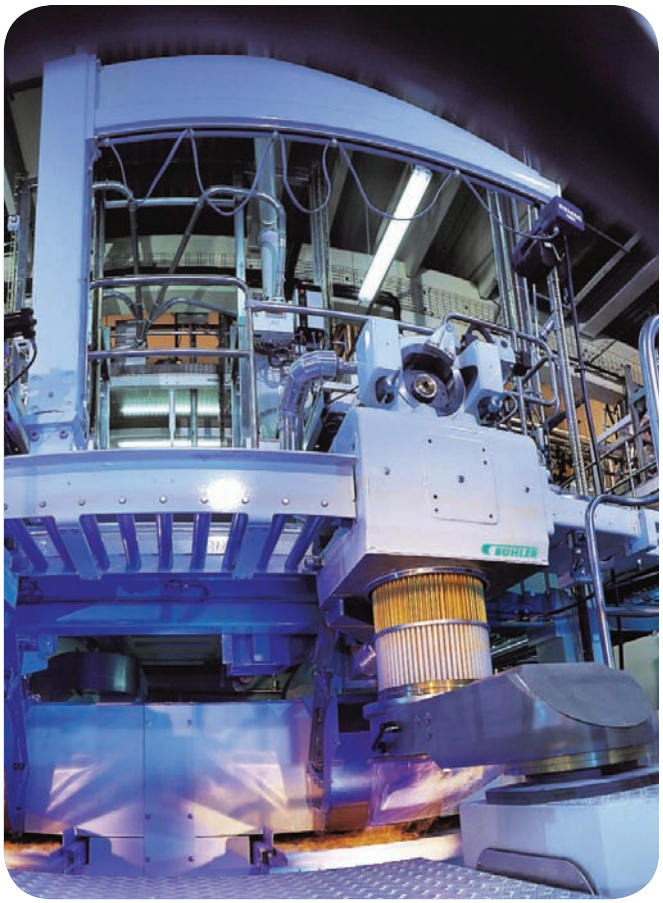
"In 2006, we released DG Star, which has the highest rating of scab resistance compared to all named durum varieties."

DG Star – Identity Preservation

Since the inception of our agronomy program in 1999, our mission has been to develop an outstanding durum variety for our shareholders that is tolerant to Fusarium Head Blight, while providing superior pasta cooking results. Through our arrangement with WestBred Inc., Primo D'oro was released in 2004 and Grande D'oro in 2005, each with moderate resistance to scab. In some of our western growing regions of North Dakota, Grand D'oro is providing excellent yields and above average quality. In 2007, we released DG Star, which has the highest rating of scab resistance compared to all named durum varieties. DG Star also has excellent gluten quality and won first place in the ND Wheat Commission pasta quality competition for the 2006 crop.

We expect that DG Star will be widely used in our farmer direct Identity Preservation program. Under DGPC's Identity Preservation program, we select specific grain varieties that have superior semolina milling and pasta cooking quality characteristics. These varieties are segregated for total traceability from the farm through the mill and into packages of pasta that carry an IP identification symbol. Processing only selected durum varieties has a direct impact on pasta cooking quality and performance, resulting in pasta with a brighter amber color, more al dente texture, more resistance to overcooking, improved reheatability, improved handling and durability and a nuttier, wheat taste.

STATE OF THE INDUSTRY

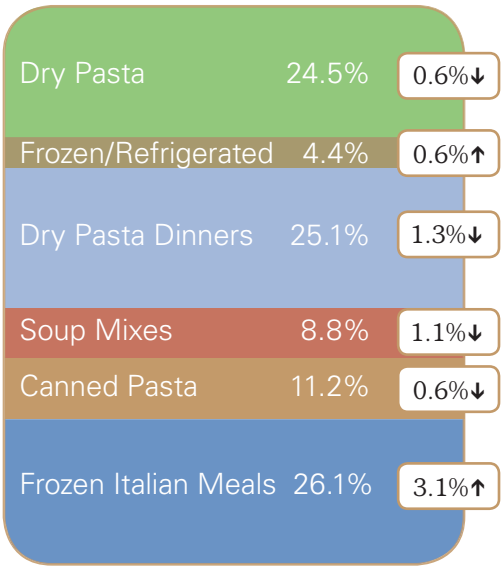


We've invested $15 million in a new pasta line and a new packaging line at our New Hope, Minnesota plant, increasing capacity by 35%.

A Healthy Outlook
Consumer demand for more nutritious foods and beverages is dominating the food industry at every level. The multiple dimension of nutrition is likely to drive significant opportunity for years ahead. Convenient nutrition, functional nutrition and delivering specific health benefits to individuals, from children to seniors, are shaping the food industry and the way we market to consumers.

Pasta Mega Category

$7.0 Billion Sales in 2006
(Percentage Change Compared to 2004)

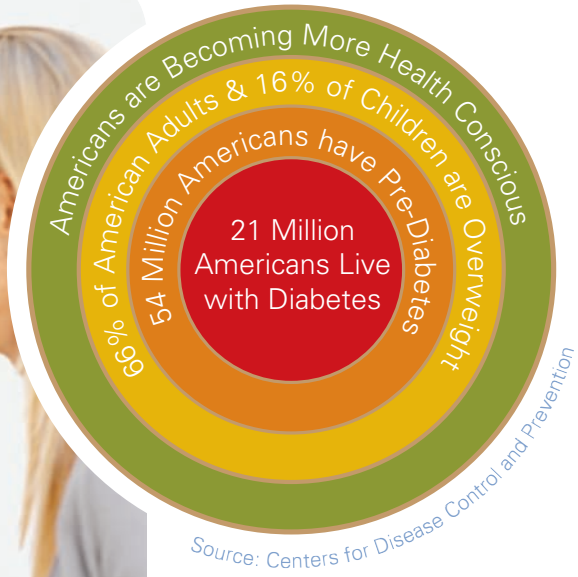


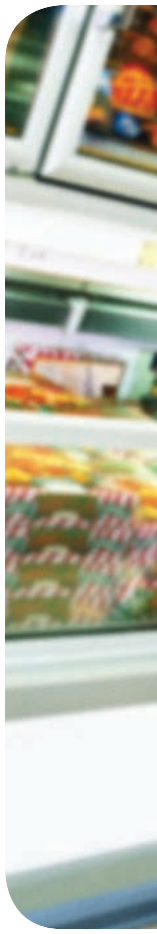
Source: Nielsen - Total US Food / Drug / Mass Including Wal-Mart

The pasta mega category reached $7 billion in 2006 according to Nielsen. Within every category, consumers are shifting to 'better-for-you' options that include whole grain, organic or functional pastas like Dreamfields.

Between June 2006 and 2007, more than half of the 26,000 new food products launched carried a health claim. Healthfulness, now fourth to taste, price and convenience, is playing a much greater role in the consumer's buying decision than ever before.

CONSUMER TRENDS





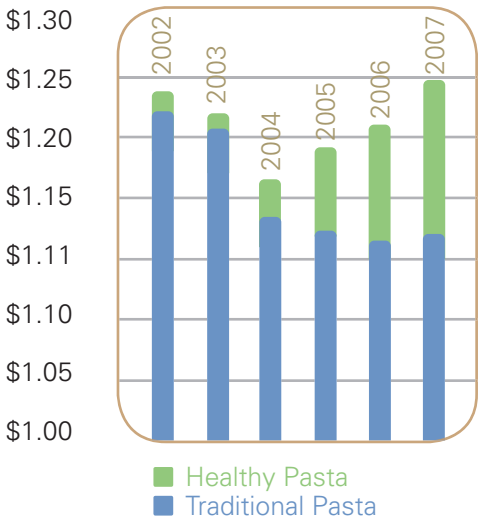
Weighing in with Consumers. Most Americans believe that they can control their health through diet and exercise. People are increasingly more interested in functional foods and the benefits they deliver to help reduce the risk of certain diseases and health conditions.

Carbohydrates continue to weigh in on consumers' minds and their waistlines. According to the 2007 Food and Health Survey conducted by the International Food Information Council, 55% of Americans are concerned with the amount of carbohydrates they consume and 52% are concerned with the type of carbohydrates they consume. Whole grains, fiber-packed and low-glycemic foods are sought out because they are digested more slowly, providing sustained energy and aiding in weight management.

RETAIL

Even as the landscape of the pasta aisle changes, dry pasta is purchased by 85% of all U.S. households. While total volume within the supermarket pasta category continues to slide, dollar sales are up, driven predominantly by "good-for-you" pasta options. Healthy pastas now account for over $143 million or 12% of total pasta sales. This is an increase of 26% in dollar sales and 28% in volume for the 52-weeks ending October 6, 2007. Traditional white pasta sales increased just slightly more than 1% in dollar sales and lost 3.5% in volume for the same time period.

US Supermarket Retail Pasta Sales
(In Billions)



Source: Nielsen - For 52-Week Periods Ending 10/6

Dreamfields dollar sales grew nearly 7% this last year to $14.6 million according to Nielsen. More than 300 pasta items are identified by Nielsen in the "good-for-you" pasta category and all six Dreamfields items rank in the top 30 in dollar sales. Dreamfields markets directly to people with diabetes and pre-diabetes. Consumers are extremely loyal to Dreamfields because it has traditional pasta taste and al dente texture with the unique health benefits of 5 grams digestible carbs and a 65% lower glycemic index than regular pasta. Plus, Dreamfields is packed with 5 grams of fiber, which is 20% of the recommended daily intake.

Sales of "good-for-you" store brand pastas quadrupled this past year, reaching $12.7 million in sales for 52-weeks. We expect this to be an area of continued growth and opportunity for us as a major supplier of retailer store brands.

FOODSERVICE

Pasta is in a very good position in foodservice. Italian ranks as the most popular ethnic food prepared with continued consumer interest in regional recipes and indigenous ingredients from the Mediterranean. According to the R&I Menu Census, pasta is served at 62% of all commercial establishments and 78% of all non-commercial operations.

More national chain accounts are serving Dakota Growers' pasta. Of the top 25 national chains that menu pasta, Dakota Growers' pasta is served at 80%. Dakota Growers' pasta is selected because of its very consistent quality and performance. Our knowledge and passion about pasta, culinary support and superior quality assurance programs are part of every case that we sell.

Pasta is the most enjoyed food on the menu by most Americans, according to a Gallop study of Home Meal Replacement. With the exception of the baby-boomers, pasta is the top entrée choice of all age groups. Baby-boomers, who are likely more concerned about their health and weight, are more likely to buy "good-for-you" pasta options. Health and wellness trends are beginning to blend into menus because of the way chefs are preparing food and how companies are marketing to consumers.

Typically new culinary trends originate in foodservice. However, the latest trends for pasta are starting at retail, driven by consumers who are looking for products that deliver taste and health. Eating out is often viewed as an indulgence as consumers tend to enjoy a meal not normally prepared at home. But diners everywhere are looking for more flavorful, fresh and healthy options.

Percent of foods eaten for dinner in past week

Age Group	18-34	35-49	50-64	65+
Pasta	61	63	52	64
Chicken/Turkey	52	52	57	49
Pizza	57	47	36	40
Hamburgers	46	49	43	43
Steak/Beef	41	42	48	49
Mexican Food	33	38	20	28
Fish	21	27	41	38
Eggs	26	28	33	36
Pork	21	25	32	32
Ham	11	13	14	19
Meatloaf	8	10	9	14

Source: The 2005 Gallop Study of Home Meal Replacement

An increasing amount of restaurant chains are adding whole grain wheat pasta to their menu in response to consumers' appetite for healthier options. Some of America's favorite Italian restaurants are serving whole

grain pasta to their guests, including Olive Garden's whole grain linguine and Buca di Peppo's whole grain penne rigate, which is served on request. These healthy pasta options account for up to 4% of pasta sales on the menu.

Our nation's schools are making concerted efforts to promote wellness among students. Dreamfields continues to grow as a healthy meal offering in many schools. Kids love the taste and school lunch directors love the healthy benefits and cooking performance. Over a quarter of a million students are enjoying Dreamfields as part of their school lunch meals, including Dekalb County, Georgia, one of the largest school districts in America. Pasta is one of the most frequently served foods in school lunch programs.

INDUSTRIAL

More of the consumers' pasta dollar is being spent on convenient meal solutions in the frozen food aisle. Nielsen reports that expenditures for frozen pasta entrees increased from 23% of the pasta dollar to 26% from 2004 to 2006. Convenient nutrition is significantly increasing. According to Mintel, 35% of the prepared foods introduced in 2007 made a health claim, including over half of the 310 new pasta dinner introductions.

Whole grain pastas are appearing more frequently in prepared foods, from soups to frozen entrées and dry dinner meal kits. Notable brands are offering more healthy nutrition and options for weight management.

Campbell Soup introduced Italian Wedding Soup with whole grain pasta. Lean Cuisine expanded its Spa Cuisine to include Sesame Stir Fry Chicken with whole wheat vermicelli. Kraft South Beach frozen dinners with whole grain wheat pastas deliver convenience, taste and health targeted to consumers who are managing their weight.

Organic and natural foods continue to grow as consumers attribute better health and quality to organic. Less is becoming more for those concerned about preservatives and unhealthy additives in processed foods. We are committed to providing quality organic pastas to our customers and expect the demand for organic products to continue. The highest purchasers of organic produce are Gen Y consumers. Highly populated coastal markets have higher organic purchases, especially in the West.

FORWARD-LOOKING STATEMENTS

Certain information included throughout this annual report and other Company reports, SEC filings, statements and presentations is forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements concerning the Company's anticipated operating results, financial resources, changes in revenues and costs, growth and expansion, and research and development programs. Such forward-looking information involves important risks and uncertainties that could significantly affect actual results and cause them to differ materially from expectations, expressed herein and in other Company reports, SEC filings, statements and presentations. Such risks include, but are not limited to: a) consumer trends, b) the competitive environment in the semolina and pasta industries, c) pasta, semolina and by-product prices, d) durum wheat and other input costs, e) product concentration, f) product liability and g) government regulation and trade policies.

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MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

There is no established public trading market for the Company's Common Stock or Preferred Stock. As of October 11, 2007 there were 1,242 holders of the Company's Common Stock.

Ownership of shares of Common Stock may be transferred subject only to the requirements of the applicable securities laws. Holders of Series D Delivery Preferred Stock have a delivery right, but not a delivery obligation, to sell durum to the Company. The Company must approve all transfers of shares of Series D Delivery Preferred Stock.

Variable Investment Advisers, Inc. (VIA) has established an Alternative Trading System (ATS) to facilitate trading of the Company's Common Stock. We do not implicitly or explicitly endorse VIA or their web site, and we are not responsible for products and services that VIA provides. We do not stand behind VIA or receive any fees from them in connection with the services offered on their web site. A link to the web site of VIA is available through the "Investors" portion of the Company's website at www.dakotagrowers.com. VIA has been instructed by the Company to suspend trading on the ATS until further notice as the Company considers strategic alternatives.

Trading volumes of the Company's Common Stock have been minimal to date.

On February 9, 2007 the Company entered into a Stock Purchase Agreement ("Agreement") with MVC Capital, Inc. ("MVC") and La Bella Holdings, LLC ("LBH"). On May 10, 2007, the Company completed the transactions pursuant to the Agreement, in which MVC acquired 1,000,000 shares of Series F Convertible Preferred Stock and LBH acquired 1,000,000 shares of common stock for a price of $10 per share. The proceeds from the sale of shares to MVC and LBH were used to fund, in part, a repurchase of common stock from the Company's stockholders (other than MVC and LBH) pursuant to a tender offer made to stockholders. Based on the manner of sale and representations of MVC and LBH in the Stock Purchase Agreement, including a representation by each as to its status as an accredited investor within the meaning of Rule 501 of Regulation D, the Company believes that the issuance of securities to MVC Capital, Inc. and La Bella Holdings, LLC were private placements not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Regulation D thereof. The Company therefore believes the offer and sale of the shares to MVC and LBH were exempt from the registration requirements of the Securities Act.

The following table provides information about the shares purchased by the Company in connection with the tender offer:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Program	Maximum Number of Shares That May Yet Be Purchased Under the Program
May 2007	3,917,519	$10.00	3,917,519	None

(1) On March 26, 2007, the Company commenced a tender offer to purchase up to 3,920,000 shares of the Company's common stock at $10.00 per share in cash. The tender offer expired on April 27, 2007. The Company completed the purchase of shares pursuant to the tender offer in early May 2007.

During April 2007, two of the Company's employees exercised options for the purchase of 5,550 shares of the Company's common stock. The aggregate consideration received by the Company for the issuance of those shares was $22,200. The shares were issued in private placement transactions exempt from the registration requirements of the Securities Act, pursuant to Section 4(2) of the Securities Act.

On December 14, 2006, the Company's Board of Directors authorized the payment of $0.01 per share dividend on its Series D Delivery Preferred Stock and a non-periodic dividend payment

of $0.14 per share on its common stock, payable on January 3, 2007 to shareholders of record as of December 20, 2006.

On December 15, 2005, the Company's Board of Directors authorized the payment of $0.04 per share dividend on its Series D Delivery Preferred Stock and a non-periodic dividend payment of $0.04 per share on its common stock, payable on January 10, 2006 to shareholders of record as of December 19, 2005.

SELECTED FINANCIAL DATA

(In Thousands, Except Per Share Data and Ratios)

The selected financial data presented below for the fiscal years ended July 31, 2003 through 2007 has been derived from the audited consolidated financial statements of the Company.

Effective May 1, 2005, the Company began to include DNA Dreamfields Company, LLC in its consolidated financial statements. The financial statements for prior fiscal years have not been restated and therefore do not include consolidated data pertaining to DNA Dreamfields. The Company has included consolidated amounts for DNA Dreamfields in the income statement for the years ending July 31, 2007, 2006 and 2005. See Note 2 of the consolidated financial statements for additional information.

The selected financial data set forth in this section should be read in conjunction with the Company's consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report.

	Fiscal year ended July 31				
	2007	2006	2005	2004	2003
INCOME STATEMENT DATA					
Net revenues	**$ 191,062**	$ 171,509	$ 155,619	$ 144,679	$ 136,806
Cost of goods sold	**165,575**	148,904	136,179	132,245	125,160
Gross profit	**25,487**	22,605	19,440	12,434	11,646
Marketing, general and administrative expenses	**12,973**	14,190	16,507	8,345	9,816
Loss on asset impairment	**–**	–	–	704	–
Operating income	**12,514**	8,415	2,933	3,385	1,830
Other expense - net	**(2,199)**	(2,143)	(1,817)	(2,835)	(2,364)
Noncontrolling interests	**52**	894	3,003	–	–
Income (loss) before income taxes	**10,367**	7,166	4,119	550	(534)
Income tax expense (benefit)	**3,759**	2,793	1,606	214	(105)
Net income (loss)	**6,608**	4,373	2,513	336	(429)
Dividends on preferred stock	**113**	451	–	–	3
Net earnings (loss) on common stock	**$ 6,495**	$ 3,922	$ 2,513	$ 336	$ (432)
Net earnings (loss) per common share - Basic	**$ 0.52**	$ 0.30	$ 0.19	$ 0.03	$ (0.03)
Weighted average common shares outstanding - Basic	**12,501**	13,169	$ 13,169	12,265	12,355
Cash dividends declared per common share	**$ 0.14**	$ 0.04	$ –	$ –	$ –

	As of July 31				
	2007	2006	2005	2004	2003
BALANCE SHEET DATA					
Cash	**$ 89**	$ 343	$ 229	$ 589	$ 5
Working capital	**20,800**	23,273	20,156	16,586	13,429
Total assets	**143,166**	134,249	135,130	119,415	122,390
Long-term debt (excluding current maturities)	**40,681**	28,545	25,385	21,087	28,263
Redeemable preferred stock	**–**	–	7	20	33
Stockholders' equity	**49,150**	64,592	61,132	58,619	53,818
OPERATING DATA					
Ratio of long-term debt to stockholders' equity	**.83x**	.44x	.42x	.36x	.53x

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Summary

Dakota Growers is the third largest pasta manufacturer in North America. The Company has two production plants, located in Carrington, North Dakota and New Hope, Minnesota and generates a majority of its revenues from manufacturing pasta for the retail store brand and institutional markets, although we serve and continually look for opportunities in the entire dry pasta industry. Our identity preservation program provides our customers food safety, traceability and quality from the field to the plate. The Company also has a certified organic program and markets organic pasta through its Dakota Growers Pasta Co.® label, as well as into the private label retail, foodservice, and ingredient markets. The Company competes through low cost production, high product quality, flexibility and customer service.

Net income for the year ended July 31, 2007 totaled $6.6 million compared to net income of $4.4 million for the year ended July 31, 2006. Net earnings per basic common share, after the effect of dividends paid on the Company's Series D Delivery Preferred Stock, were $0.52 per share for the year ended July 31, 2007 compared to $0.30 for the year ended July 31, 2006. The company paid dividends of $113,000 ($0.01 per share) and $451,000 ($0.04 per share) on its Series D Delivery Preferred Stock and $1,844,000 ($0.14 per share) and $527,000 ($0.04 per share) on its common stock during the second quarters of fiscal years 2007 and 2006, respectively.

The Company's net revenues increased 11.4% for the year ended July 31, 2007 when compared to the year ended July 31, 2006. Higher per unit selling prices and higher pasta sales volumes contributed to the increase. Benefits derived from increased per unit selling prices and higher pasta sales volumes were partially offset by higher durum costs. Freight cost increases during fiscal year 2006 were driven by a combination of higher diesel fuel prices and reduced rail and truck availability. The Company's freight costs stabilized in fiscal year 2007.

During fiscal year 2006, the Company initiated a $15 million capital project at its New Hope, Minnesota facility to better balance its pasta production capabilities and improve operating costs. A main component of this project was the installation of a new, state-of-the-art short goods production line. The new short goods line, which became operational during the Company's second quarter of fiscal 2006, increased the New Hope plant's capacity by 35% to approximately 230 million pounds annually. The remainder of the project was completed in fiscal year 2007. Higher conversion costs per unit at the New Hope facility during the installation and start-up of the new production equipment negatively impacted the Company's results for fiscal year 2006 and the first half of fiscal year 2007. The Company also recorded a $683,000 and $598,000 loss on disposal during the years ended July 31, 2007 and 2006, respectively, related to the retirement of certain equipment in conjunction with the capital project at the New Hope facility.

The Company increased its economic ownership in DNA Dreamfields to 47% effective May 2005. DNA Dreamfields was originally formed by the Company and other food technology, manufacturing and consumer products marketing enterprises to develop, manufacture and sell low digestible carbohydrate pasta, rice and potatoes under the Dreamfields® brand name. In conjunction with the Company's increase in ownership in DNA Dreamfields, the DNA Dreamfields operating agreement was amended whereby Dakota Growers was named the managing member of DNA Dreamfields. The Company is the exclusive manufacturer of Dreamfields® pasta, and provides administrative, accounting, information technology, sales, customer service and distribution services to DNA Dreamfields.

Effective September 21, 2007, the Company acquired the remaining units of DNA Dreamfields, increasing its ownership to 100%. Pursuant to the terms of the purchase agreement, the Company acquired the remaining units for an aggregate purchase price of $2,231,614. In conjunction with this purchase, the Company eliminated the noncontrolling interests and reduced recorded goodwill associated with DNA Dreamfields in the Company's first quarter of fiscal year 2008. The Company will continue to include DNA Dreamfields in its consolidated financial statements.

The Company believes that the Dreamfields® line of products is well suited for consumers seeking healthy eating alternatives. Dreamfields® pasta has a 65% lower glycemic index than regular pasta as well as 5 grams of digestible carbs and 5 grams of fiber per serving. The Dreamfields® pasta products carry a higher selling price and higher profit margins than traditional pasta.

In 2005, a new trend toward high fiber products developed, displacing some of the low carbohydrate consumption. While still small relative to the total pasta category, the consumption of these whole wheat/whole grain products continues to grow. Dreamfields® pasta offers fiber benefits similar to the levels of other whole wheat/whole grain pastas while maintaining the integrity of the taste and low carbohydrate traits. Dakota Growers also manufactures and sells traditional whole wheat/whole grain pastas.

The cost of production of dry pasta is significantly impacted by changes in durum wheat market prices, which have varied widely in recent years. The Company attempts to manage the risk associated with durum wheat cost fluctuations through cost pass-through mechanisms with our customers and forward purchase contracts for durum wheat. Volatility with respect to the price of the basic raw material for the Company's products leaves it subject to wide variation in its costs from year to year. As a result, factors which impact the size and quality of the durum wheat crop and the availability of such wheat in the United States and Canada can have a material adverse impact on the Company. Those factors include such variables as producer strategies, the weather in durum wheat production areas in the United States, Canada and other parts of the world, and import and export policies and regulations. Durum market prices escalated during fiscal year 2007 and continued to increase sharply in the first quarter of fiscal year 2008. The Company has generally been successful in obtaining price increases to offset the higher cost of durum. However, any inability by the Company to obtain sales price increases to offset increases in durum costs may negatively impact the Company's future financial results.

Critical Accounting Policies

The accompanying discussion and analysis of the Company's results of operations and financial condition are based upon its

consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments may require adjustment. For a complete description of the Company's significant accounting policies, please see Note 1 to the consolidated financial statements. Our critical accounting policies are those that have meaningful impact on the reporting of our financial condition and results, and that require significant management judgment and estimates. These policies include our accounting for (a) allowance for doubtful accounts, (b) inventory valuation, (c) asset impairment, and (d) income taxes.

Allowance for Doubtful Accounts

We evaluate the collectibility of our accounts receivable based on a combination of factors. In cases where we are aware of circumstances that may impair a specific customer's ability to meet its financial obligations to us, we record a specific allowance against amounts due to us, and thereby reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize allowances for doubtful accounts based on the length of time the receivables are past due and our historical experience. If the financial condition of our customers would deteriorate, additional allowances may be required in the future which could have an adverse impact on our future operating results.

Inventory Valuation

Inventories are stated at the lower of cost or market, determined on a first-in, first-out (FIFO) basis, using product specific standard costs. The Company analyzes variances between actual manufacturing costs incurred and amounts absorbed at inventory standard costs. Inventory valuations are adjusted for these variances as applicable. The Company regularly evaluates its inventories and recognizes inventory allowances for discontinued and slow-moving inventories based upon these evaluations.

Asset Impairment

We are required to evaluate our long-lived assets, including goodwill, for impairment and write down the value of any assets if they are determined to be impaired. Evaluating the impairment of long-lived assets involves management judgment in estimating the fair values and future cash flows related to these assets. The Company used a discounted cash flow analysis in evaluating goodwill for impairment in fiscal years 2007 and 2006 and determined that no impairment charges were necessary. Future events could cause management to conclude that impairment indicators exist and that the value of certain long-lived assets is impaired.

Income Taxes

In determining income (loss) for financial statement purposes, management must make certain estimates and judgments in calculating tax liabilities and in determining the recoverability of certain deferred tax assets. Deferred tax assets must be reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. Management believes it is likely that the deferred tax assets as of July 31, 2007 will be realized through the generation of future taxable income and tax planning strategies.

Basis of Presentation

Effective May 1, 2005, the Company began to include DNA Dreamfields in its consolidated financial statements. The financial statements for prior fiscal years have not been restated and therefore do not include consolidated data pertaining to DNA Dreamfields. The Company has included consolidated amounts for DNA Dreamfields in the income statement for the years ending July 31, 2007, 2006 and 2005. See Note 2 of the consolidated financial statements for additional information.

Results of Operations

Comparison of Fiscal Years ended July 31, 2007 and 2006

Net Revenues. Net revenues increased $19.6 million, or 11.4%, to $191.1 million for the year ended July 31, 2007, from $171.5 million for the year ended July 31, 2006. The increase resulted from higher per unit selling prices and higher pasta sales volumes, particularly in the ingredient market.

Revenues from the retail market, a portion of which includes co-pack and governmental sales, increased $4.6 million, or 5.6%, for the year ended July 31, 2007 due to a 7.8% increase in average selling prices offset by a 2.1% decrease in volume. Foodservice revenues increased $4.3 million, or 8.6%, for the year ended July 31, 2007 due to a 6.2% increase in average selling prices and a 2.3% increase in volume. Ingredient revenues increased $7.1 million, or 25.1%, due to a 7.7% increase in average selling prices and a 16.2% increase in volume.

The Company markets semolina production in excess of its own requirements as well as durum wheat flour, other flour blends and by-products of the durum milling process. Revenues from mill product sales for the year ended July 31, 2007 totaled $15.3 million, an increase of $3.6 million from the prior year. The increase was primarily due to higher per unit selling prices of millfeed and semolina and to a lesser degree an increase in semolina and millfeed sales volumes.

Cost of Goods Sold. Cost of goods sold totaled $165.6 million for the year ended July 31, 2007, an increase of 11.2% compared to the $148.9 million reported for the year ended July 31, 2006. The increase was primarily due to higher durum costs and higher sales volumes. Gross profit as a percentage of net revenues increased to 13.3% in fiscal year 2007 compared to 13.2% in fiscal year 2006 as benefits realized from sales price increases were partially offset by higher durum costs.

Marketing, General and Administrative ("MG&A") Expenses. MG&A expenses decreased $1.2 million, or 8.5%, to $13.0 million for the year ended July 31, 2007, from $14.2 million for the year ended July 31, 2006. The decrease is primarily due to the reduction in consumer advertising for Dreamfields® pasta products. MG&A expenses as a percentage of net revenues decreased from 8.3% to 6.8%.

Interest Expense. Interest expense for the year ended July 31, 2007 totaled $2.8 million, up $0.2 million from $2.6 million for the year ended July 31, 2006. The increase was due to higher

interest rates as well as an increase in outstanding debt as a result of the tender offer that occurred during fiscal year 2007. Cash and equity patronage refunds received from CoBank totaling $132,000 and $144,000 have been netted against interest expense for the years ended July 31, 2007 and 2006, respectively.

Gain (Loss) on Disposition of Property, Equipment and Other Assets. The Company incurred a loss on disposition of $0.6 million during fiscal year 2007. Virtually all of this loss was related to the retirement of certain equipment in conjunction with the capital project at the New Hope, Minnesota facility.

Other Income, net. Other income totaled $1.2 million for the year ended July 31, 2007 and $1.0 million for the year ended July 31, 2006. U.S. Customs and Border Protection ("Customs") has distributed antidumping and countervailing duties assessed on certain pasta imported from Italy and Turkey to affected domestic producers pursuant to the Continued Dumping and Subsidy Offset Act of 2000 (the "Offset Act"), which was enacted in October 2000. The Company received net payments in the amount of $1.3 million and $1.1 million in fiscal years 2007 and 2006, respectively, under the Offset Act. These amounts have been classified as other income. The Company cannot reasonably estimate the potential amount, if any, that it may receive under the Offset Act in future periods as any such amount will be based upon future events over which the Company has little or no control, including, but not limited to, the amount of expenditures by domestic pasta producers and the amount of antidumping and countervailing duties collected by Customs.

Noncontrolling Interests. Noncontrolling interests reflects the portion of the DNA Dreamfields net loss allocable to the other members of DNA Dreamfields. The loss allocated to those other members totaled $0.1 million and $0.9 million for the years ended July 31, 2007 and 2006, respectively. The $0.8 million decrease was due to a reduction in the net loss reported by DNA Dreamfields for the year ended July 31, 2007, when compared to the prior year.

Income Taxes. Income tax expense for the years ended July 31, 2007 and 2006 totaled $3.8 million and $2.8 million, respectively, reflecting an effective corporate income tax rate of approximately 37% and 39%, respectively.

Net Income. Net income for the year ended July 31, 2007 totaled $6.6 million, an increase of $2.2 million compared to net income of $4.4 million for the year ended July 31, 2006. Net earnings available to common shareholders for the years ended July 31, 2007 and 2006 totaled $6.5 million and $3.9 million, respectively, after reducing net income for dividends declared on preferred stock.

Comparison of Fiscal Years ended July 31, 2006 and 2005

Net Revenues. Net revenues increased $15.9 million, or 10.2%, to $171.5 million for the year ended July 31, 2006, from $155.6 million for the year ended July 31, 2005. The increase resulted from higher pasta sales volumes, particularly in the ingredient market.

Revenues from the retail market, a portion of which includes co-pack and governmental sales, increased $5.0 million, or 6.6%, for the year ended July 31, 2006 due to a 3.7% increase in average selling prices and a 2.8% increase in volume. Foodservice revenues increased $3.1 million, or 6.5%, for the year ended July 31, 2006 due to a 2.5% increase in average selling prices and a 4.0% increase in volume. Ingredient revenues increased $6.6 million, or 30.7%, due to increased sales volumes to new and existing customers.

The Company markets semolina production in excess of its own requirements as well as durum wheat flour, other flour blends and by-products of the durum milling process. Revenues from mill product sales for the year ended July 31, 2006 totaled $11.7 million, an increase of $1.2 million from the prior year. The increase was primarily due to higher semolina sales volumes.

Cost of Goods Sold. Cost of goods sold totaled $148.9 million for the year ended July 31, 2006, an increase of 9.3% compared to the $136.2 million reported for the year ended July 31, 2005. The increase was mainly due to higher sales volumes relative to the prior year. Gross profit as a percentage of net revenues increased to 13.2% in fiscal year 2006 compared to 12.5% in fiscal year 2005, largely due to benefits derived from lower durum costs, which were partially offset by the negative impacts of higher freight costs.

Marketing, General and Administrative ("MG&A") Expenses. MG&A expenses decreased $2.3 million, or 14.0%, to $14.2 million for the year ended July 31, 2006, from $16.5 million for the year ended July 31, 2005. The decrease is primarily due to the reduction in consumer advertising for Dreamfields® pasta products. MG&A expenses as a percentage of net revenues decreased from 10.6% to 8.3%.

Interest Expense. Interest expense for the year ended July 31, 2006, totaled $2.6 million, up $0.3 million from $2.3 million for the year ended July 31, 2005. The increase was mainly due to higher interest rates. Cash and equity patronage refunds received from CoBank totaling $144,000 and $114,000 have been netted against interest expense for the years ended July 31, 2006 and 2005, respectively.

Gain (Loss) on Disposition of Property, Equipment and Other Assets. The Company incurred a Loss on Disposition of $0.5 million during fiscal year 2006. Virtually all of this loss was related to the retirement of certain equipment in conjunction with the capital project at the New Hope, Minnesota facility.

Other Income, net. Other income totaled $1.0 million and $0.4 million for the years ended July 31, 2006 and 2005. The Company received net payments in the amount of $1.1 million and $0.4 million in fiscal years 2006 and 2005, respectively, under the Offset Act. These amounts have been classified as other income. The Company cannot reasonably estimate the potential amount, if any, that it may receive under the Offset Act in future periods as any such amount will be based upon future events over which the Company has little or no control, including, but not limited to, the amount of expenditures by domestic pasta producers and the amount of antidumping and countervailing duties collected by Customs.

Noncontrolling Interests. Noncontrolling interests reflects the portion of the DNA Dreamfields net loss allocable to the other members of DNA Dreamfields. The loss allocated to those other members totaled $0.9 million and $3.0 million for the years ended July 31, 2006 and 2005, respectively. The $2.1 million decrease was due to a reduction in the net loss reported by DNA Dreamfields for the year ended July 31, 2006, when compared to the prior year, partially offset by the Company's increased ownership interest in DNA Dreamfields.

Income Taxes. Income tax expense for the years ended July 31, 2006 and 2005 totaled $2.8 million and $1.6 million, respectively, reflecting an effective corporate income tax rate of approximately 39%.

Net Income. Net income for the year ended July 31, 2006 totaled $4.4 million, an increase of $1.9 million compared to net income of $2.5 million for the year ended July 31, 2005. Net earnings available to common shareholders for the year ended July 31, 2006 totaled $3.9 million after reducing net income for dividends declared on preferred stock.

Liquidity and Capital Resources

The Company's primary sources of liquidity are cash provided by operations and borrowings under its revolving credit facility. Net working capital as of July 31, 2007 was $20.8 million compared to $23.3 million as of July 31, 2006.

Effective May 31, 2007, the Company secured a $25 million revolving credit facility with CoBank that extends through May 29, 2008. Interest on the revolving line is at the 7-day LIBOR rate subject to performance adjustments depending upon the Company's ratio of total debt to earnings before interest, taxes, depreciation and amortization or "EBITDA." The higher the ratio the higher the adjustment to the 7-day LIBOR rate within a range of 175 to 275 basis points above the 7-day LIBOR rate. Fixed interest rate options are also available. Balances outstanding under this revolving line of credit arrangement totaled $7.4 million as of July 31, 2007. There was no balance outstanding under this revolving line of credit arrangement as of July 31, 2006. The Company had $17.6 million available for borrowings under the line of credit as of July 31, 2007.

On February 14, 2007 the Company entered into a $20 million term loan agreement with CoBank to partially fund the tender offer to purchase up to 3,920,000 shares of our common stock at $10.00 per share in cash. Availability under the term loan was contingent upon at least 50% of the aggregate purchase price of the shares in the tender offer coming from proceeds of the sale of equity securities to MVC Capital, Inc. and La Bella Holdings, LLC. The Company must repay this term loan in 14 equal quarterly installments beginning in May 2011 and concluding in November 2014. Interest on the term loan is at the 7-day LIBOR rate subject to performance adjustments depending upon the Company's ratio of total debt to EBITDA. The higher the ratio the higher the adjustment to the 7-day LIBOR rate within a range of 175 to 275 basis points above the 7-day LIBOR rate. Fixed interest rate options are also available.

On May 10, 2007, the Company closed the sale of 1 million shares of Series F convertible preferred stock to MVC Capital, Inc. and the sale of 1 million shares of common stock to LaBella Holdings, LLC at a purchase price of $10.00 per share. The Company also received $20 million in loan proceeds under a term loan agreement with CoBank. With the net proceeds of $38.8 million from these financing transactions and working capital provided by the Company, Dakota Growers accepted 3,917,519 shares of common stock that had been properly tendered to the Company at $10.00 per share net in cash pursuant to the Company's tender offer, which expired on April 27, 2007.

The Company also has a $19.0 million term loan facility with CoBank. The balance outstanding under the term loan was $17.0 million as of July 31, 2007 and no further borrowings are available under this term loan facility.

The Master Loan Agreement with CoBank contains certain restrictive covenants including, but not limited to, financial covenants which require the Company to maintain, at the end of each of the Company's fiscal quarters, a minimum current ratio of 1.20 to 1.00, a maximum total debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") of 4.25 to 1.00, a minimum fixed charge ratio of 1.00 to 1.00 through and including April 30, 2008 and 1.15 to 1.00 thereafter, and a minimum tangible net worth level of at least $25 million adjusted for subsequent earnings and capital contributions.

The Company's long-term financing is also provided through secured notes held by institutional investors. The Note Purchase Agreement (as amended) with the institutional investors requires the Company to maintain the following: (a) consolidated net worth of not less than the sum of (1) $27,000,000 plus (2) an aggregate amount equal to 30% of consolidated net income for each completed fiscal year beginning with the fiscal year ended July 31, 1998, (b) a trailing twelve month ratio of consolidated cash flow to consolidated fixed charges of not less than 2.0 to 1.0 at the end of each fiscal quarter, and (c) a ratio of consolidated funded debt to consolidated cash flow ratio not to exceed 3.0 to 1.0 determined at the end of each fiscal quarter for the immediately preceding four fiscal quarters. The Notes (as amended) require the rate of interest on the unpaid balance be increased by one percent at any time that either (a) the ratio of the Company's consolidated funded debt to consolidated cash flow is greater than 3.0 to 1.0 as of the end of each fiscal quarter for the immediately preceding four fiscal quarters or (b) the Securities Valuation Office of the National Association of Insurance Commissioners has not assigned a designation category of "1" or "2" to the Notes.

The Company was in compliance with all debt covenants as of July 31, 2007.

Net cash from operations totaled $6.0 million, $19.1 million and $12.7 million for the years ended July 31, 2007, 2006 and 2005, respectively. The $13.1 million net decrease from fiscal year 2006 to 2007 was attributable to an increase in receivables and inventories offset by an increase in net income. The $6.4 million net increase from fiscal year 2005 to 2006 was attributable to a $1.9 million increase in net income, a decrease in receivables and inventories, and an increase in accounts payable. In March 2005, the Company entered into an agreement with U.S. Foodservice which finalized the economic terms and conditions governing the purchase of dry pasta products by U.S. Foodservice from the Company. The agreement included provisions to apply accrued promotional amounts to marketing prepayments which reduced the time to recover the unamortized portion of these marketing prepayments made to U.S. Foodservice. The agreement also eliminated the Company's right to be the exclusive supplier of dry pasta products to U.S. Foodservice and does not provide for minimum purchase commitments by U.S. Foodservice.

Net cash used for investing activities totaled $5.6 million, $10.8 million, and $16.0 million for the years ended July 31, 2007, 2006 and 2005, respectively. A majority of the net cash used for investing activities for the year ended July 31, 2007 and 2006 related to capital expenditures for the New Hope facility upgrade project. A majority of the net cash used for fiscal year 2005 related to increased fixed asset expenditures in conjunction with the New Hope production upgrade project and increased investments in DNA Dreamfields.

Net cash used for financing activities totaled $0.7 million and $8.2 million for the years ended July 31, 2007 and 2006. Net cash from financing activities totaled $2.9 million for the year ended July 31, 2005. The $0.7 million of net cash used for financing activities for the year ended July 31, 2007 related to payments

on long-term debt and dividends. Also included are the purchase of common stock and the costs associated with issuing and purchasing stock in conjunction with the tender offer in fiscal year 2007. These outlays were offset by the proceeds from long-term debt and the issuance of common stock and series F preferred stock. The $8.2 million of net cash used for financing activities for the year ended July 31, 2006 related primarily to principal payments on short-term and long-term debt. The $2.9 million of net cash from financing activities for the year ended July 31, 2005 included $9.1 million in borrowings under the CoBank secured term loan facility to finance the New Hope production upgrade project and investments in DNA Dreamfields offset by $7.2 million for scheduled debt principal payments.

The Company increased its economic ownership in DNA Dreamfields from 24% to 30% effective November 2004, and to 47% effective May 2005. In connection with the May 2005 investment in DNA Dreamfields, the Company and the other member/owners of DNA Dreamfields also entered into an Amended and Restated DNA Dreamfields Company, LLC Operating Agreement, under which the Company was named as the "Managing Member" of DNA Dreamfields. As such, the Company has authority to make all decisions with respect to DNA Dreamfields, its business, assets and operations that do not expressly require either a unanimous vote of the member/owners of DNA Dreamfields or a "Super Majority" vote of the holders of 75% of the outstanding Membership Units in DNA Dreamfields.

The Company also entered into a "2005 Line of Credit Loan Agreement" with DNA Dreamfields in fiscal year 2005. Under that Agreement, the Company agreed to loan up to $5.0 million to DNA Dreamfields, with DNA Dreamfields able to repay and reborrow amounts under the Line of Credit Loan Agreement from time to time. Interest on amounts outstanding under the Line of Credit Loan Agreement accrue from the date of any advance at a variable rate ranging from a high of the then-current LIBOR thirty day rate plus 8.0% per annum to a low of the then-current LIBOR thirty day rate plus 5.0% per annum based on the adjusted income of DNA Dreamfields. Interest is payable on a monthly basis. Principal payments due to the Company on a monthly basis will equal DNA Dreamfields monthly net income (as determined in accordance with generally accepted accounting principles) reduced by any cash or other reserves established by DNA upon the decision of the Company as the managing member of DNA Dreamfields. The Line of Credit Loan Agreement matures on May 31, 2010. DNA Dreamfields is also required to comply with certain financial covenants under the Line of Credit Loan Agreement. To secure DNA Dreamfields' obligations under the 2005 Line of Credit Loan Agreement, the member/owners of DNA Dreamfields other than the Company pledged their Membership Units in DNA Dreamfields to the Company pursuant to a "LLC Unit Pledge Agreement".

Effective September 21, 2007, the Company acquired the remaining units of DNA Dreamfields, increasing its ownership to 100%. Pursuant to the terms of the Purchase Agreement, the Company acquired the remaining units for an aggregate purchase price of $2,231,614 or $37,393 per purchased unit. In conjunction with this purchase, the Company eliminated the noncontrolling interests and reduced recorded goodwill associated with DNA Dreamfields in the Company's first quarter of fiscal year 2008. The Company will continue to include DNA Dreamfields in its consolidated financial statements.

The following table summarizes the Company's contractual obligations as of July 31, 2007 (in thousands):

CONTRACTUAL OBLIGATIONS	Total	Payments Due in Less Than 1 Year	Payments Due in 1-3 Years	Payments Due in 4-5 Years	Payments Due After 5 Years
Long-term debt	$ 48,545	$ 9,171	$ 20,724	$ 10,800	$ 7,850
Capital leases	1,617	310	1,071	236	–
Interest on long-term obligations (1)	11,223	3,000	5,994	1,847	382
Durum purchase obligations	17,211	17,211	–	–	–
Warehouse obligations	2,527	2,527	–	–	–
Operating leases	580	317	263	–	–
	$ 81,703	$ 32,536	$ 28,052	$ 12,883	$ 8,232

(1) Based on interest rates as of July 31, 2007.

The Company forward contracts for a certain portion of its future durum wheat requirements. At July 31, 2007, the Company had outstanding commitments for grain purchases totaling $17.2 million related to forward purchase contracts. These contracts are set price contracts to deliver grain to the Company's mill and are not derivative in nature as they have no net settlement provision and are not transferable.

Management believes that net cash to be provided by operating activities, along with amounts available under its line of credit will be sufficient to meet the Company's expected capital and liquidity requirements for the foreseeable future.

Recently Issued Accounting Standards

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN No. 48), "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109", which clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN No. 48 clarifies the application of SFAS No. 109 by defining criteria that an individual tax position must meet for any part of the benefit of that position to be recognized in the financial statements. Additionally, FIN No. 48 provides guidance on the measurement, de-recognition, classification and disclosure of tax positions along with the accounting for the related interest and penalties. The provisions of FIN No. 48 are effective for

the fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company will be required to adopt FIN No. 48 for its fiscal year beginning August 1, 2007. The Company does not expect this Statement to have a material impact on its financial statements upon adoption. However, future changes in the Company's income tax situation may have a material impact on the Company's financial statements as a result of this Statement.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We have not yet assessed the impact, if any, that the implementation of SFAS No. 157 will have on our consolidated results of operations or financial condition.

In September 2006, the U.S. Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 addresses the diversity in practice of quantifying financial statement misstatements resulting in the potential build up of improper amounts on the balance sheet. SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The SEC staff believes that registrants should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 is effective in fiscal year 2007. SAB 108 allows a one-time transitional cumulative effect adjustment to beginning retained earnings for errors that were not previously deemed material, but are material under the guidance in SAB 108. The adoption of SAB 108 did not have a material effect on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees and issued debt. Other eligible items include firm commitments. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that FAS 159 will have on our financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, commodity prices, exchange rates, equity prices and other market changes. Market risk is attributed to all market-risk sensitive financial instruments, including long-term debt.

The Company forward contracts for a certain portion of its future durum wheat requirements. These contracts are set price contracts to deliver grain to the Company's mill and are not derivative in nature as they have no net settlement provision and are not transferable. The Company does not believe it is subject to any material market risk exposure with respect to interest rates, commodity prices, exchange rates, equity prices, or other market changes that would require disclosure under this item.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended July 31, 2007, 2006 and 2005
(In Thousands, Except Per Share Amounts)

	2007	2006	2005
Net revenues (net of discounts and allowances of $23,953, $26,474, and $24,184 for 2007, 2006 and 2005, respectively)	**$ 191,062**	$ 171,509	$ 155,619
Cost of goods sold	**165,575**	148,904	136,179
Gross profit	**25,487**	22,605	19,440
Marketing, general and administrative expenses	**12,973**	14,190	16,507
Operating income	**12,514**	8,415	2,933
Other income (expense)			
Interest expense, net	**(2,772)**	(2,573)	(2,283)
Gain (loss) on disposition of property, equipment and other assets	**(649)**	(546)	38
Other income, net	**1,222**	976	428
Income before noncontrolling interests and income taxes	**10,315**	6,272	1,116
Noncontrolling interests	**52**	894	3,003
Income before income taxes	**10,367**	7,166	4,119
Income tax expense	**3,759**	2,793	1,606
Net income	**6,608**	4,373	2,513
Dividends on preferred stock	**113**	451	–
Net earnings on common stock	$ **6,495**	$ 3,922	$ 2,513
Net earnings per common share			
Basic	$ **0.52**	$ 0.30	$ 0.19
Diluted	$ **0.51**	$ 0.30	$ 0.19
Weighted average common shares outstanding			
Basic	**12,501**	13,169	13,169
Diluted	**13,076**	13,555	13,549
Dividends per common share	**$ 0.14**	$ 0.04	$ –

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

July 31, 2007 and 2006
(In Thousands, Except Share Information)

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 89**	$ 343
Trade accounts receivable, less allowance for cash discounts and doubtful accounts of $1,048 and $1,080, respectively	**18,442**	14,441
Other receivables	**360**	91
Inventories	**31,329**	26,118
Prepaid expenses	**1,389**	2,007
Deferred income taxes	**1,104**	955
Total current assets	**52,713**	43,955
Property and Equipment		
In service	**132,655**	124,035
Construction in progress	**776**	4,093
	133,431	128,128
Less accumulated depreciation	**(61,985)**	(57,198)
Net property and equipment	**71,446**	70,930
Investment in Cooperative Bank	**1,310**	1,515
Goodwill	**16,654**	16,654
Other Assets	**1,043**	1,195
	$ 143,166	$ 134,249
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable	**$ 7,400**	$ –
Current portion of long-term debt	**9,481**	6,771
Accounts payable	**7,352**	7,250
Excess outstanding checks over cash on deposit	**1,759**	704
Accrued liabilities	**5,921**	5,957
Total current liabilities	**31,913**	20,682
Commitments and Contingencies	**–**	–
Long-Term Debt, net of current portion	**40,681**	28,545
Deferred Income Taxes	**13,474**	12,417
Other Liabilities	**–**	34
Total liabilities	**86,068**	61,678
Noncontrolling Interests	**7,948**	7,979
Stockholders' Equity		
Series D delivery preferred stock, non-cumulative, $.01 par value, 11,340,841 authorized, 11,275,297 shares issued and outstanding	**113**	113
Series F convertible preferred stock, non-cumulative, $.01 par value, 2,100,000 shares authorized, 1,065,000 and 0 shares issued and outstanding as of July 31, 2007 and July 31, 2006, respectively	**11**	–
Common stock, $.01 par value, 75,000,000 shares authorized, 10,192,413 and 13,169,382 shares issued and outstanding as of July 31, 2007 and July 31, 2006, respectively	**102**	132
Additional paid-in capital	**42,798**	62,872
Retained earnings	**6,126**	1,475
Total stockholders' equity	**49,150**	64,592
Total liabilities and stockholders' equity	**$ 143,166**	$ 134,249

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended July 31, 2007, 2006 and 2005
(In Thousands)

	2007	2006	2005
Operating Activities			
Net income	**$ 6,608**	$ 4,373	$ 2,513
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	**6,951**	7,234	7,675
Undistributed patronage capital from cooperatives	**(27)**	(29)	(46)
(Gain) loss on disposition of property, equipment and other assets	**649**	546	(38)
Net loss allocated from joint venture under equity method	**–**	–	914
Deferred income taxes	**908**	998	1,038
Stock-based employee compensation	**210**	65	–
Accrued promotional costs applied to marketing prepayments	**–**	–	5,442
Noncontrolling interests	**(52)**	(894)	(219)
Changes in assets and liabilities			
Trade receivables	**(4,001)**	1,747	(2,145)
Other receivables	**(269)**	320	626
Inventories	**(5,211)**	1,984	(2,891)
Prepaid expenses	**214**	(63)	(508)
Other assets	**(24)**	48	(36)
Accounts payable	**102**	3,053	(899)
Other accrued liabilities	**(36)**	(272)	1,273
Net Cash From Operating Activities	**6,022**	19,110	12,699
Investing Activities			
Purchases of property and equipment	**(5,456)**	(10,755)	(8,803)
Investments in joint venture	**–**	–	(2,970)
Other investments	**69**	(476)	–
Proceeds from cooperative bank equity retirements	**232**	568	335
Acquisition of controlling interest in joint venture, net of cash acquired	**–**	–	(3,771)
Payments for package design costs	**(433)**	(180)	(773)
Net Cash Used For Investing Activities	**(5,588)**	(10,843)	(15,982)
Financing Activities			
Net change in excess outstanding checks over cash on deposit	**1,055**	(2,406)	3,110
Net change in short-term notes payable	**7,400**	(10,000)	(2,200)
Payments on long-term debt	**(6,771)**	(4,771)	(7,176)
Principal payments under capital lease obligation	**(133)**	–	–
Proceeds from long-term debt	**20,000**	9,931	9,069
Preferred stock retirements	**–**	(7)	(13)
Investments by noncontrolling interests	**21**	78	133
Dividends paid on common stock	**(1,844)**	(527)	–
Dividends paid on preferred stock	**(113)**	(451)	–
Issuance of common stock	**10,022**	–	–
Issuance of series F preferred stock	**10,000**	–	–
Purchase of common stock	**(39,175)**	–	–
Costs associated with issuing and purchasing stock	**(1,150)**	–	–
Net Cash From (Used For) Financing Activities	**(688)**	(8,153)	2,923
Net Change in Cash and Cash Equivalents	**(254)**	114	(360)
Cash and Cash Equivalents, Beginning of Year	**343**	229	589
Cash and Cash Equivalents, End of Year	**$ 89**	$ 343	$ 229
Supplemental Disclosures of Cash Flow Information			
Cash payments for			
Interest (net of amounts capitalized)	**$ 2,780**	$ 2,649	$ 2,363
Income taxes	**$ 2,989**	$ 1,451	$ 79
Supplemental Disclosures of Noncash Investing and Financing Activities			
Acquisition of pasta equipment through capital lease obligation	**$ 1,750**	$ –	$ –
Acquisition of controlling interest in joint venture:			
Current assets less cash			$ 38
Current liabilities			(238)
Goodwill			16,654
Reported amount of previously held interests in joint venture			(3,802)
Noncontrolling interests			(8,881)
			$ 3,771

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended July 31, 2007, 2006 and 2005
(In Thousands)

	Series D Delivery Preferred Stock		Series F Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Earnings (Deficit)	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, July 31, 2004	11,275	$ 113	–	$ –	13,169	$ 132	$ 62,807	$ (4,433)	$ 58,619
Net income for the year ended July 31, 2005	–	–	–	–	–	–	–	2,513	2,513
Balance, July 31, 2005	11,275	$ 113	–	$ –	13,169	$ 132	$ 62,807	$ (1,920)	$ 61,132
Dividends on common stock	–	–	–	–	–	–	–	(527)	(527)
Dividends on preferred stock	–	–	–	–	–	–	–	(451)	(451)
Stock-based employee compensation	–	–	–	–	–	–	65	–	65
Net income for the year ended July 31, 2006	–	–	–	–	–	–	–	4,373	4,373
Balance, July 31, 2006	11,275	$ 113	–	$ –	13,169	$ 132	$ 62,872	$ 1,475	$ 64,592
Dividends on common stock	–	–	–	–	–	–	–	(1,844)	(1,844)
Dividends on preferred stock	–	–	–	–	–	–	–	(113)	(113)
Stock-based employee compensation	–	–	–	–	–	–	210	–	210
Exercise of stock options	–	–	–	–	6	–	22	–	22
Issuance of common stock	–	–	–	–	1,000	10	9,990	–	10,000
Purchase of common stock	–	–	–	–	(3,918)	(39)	(39,136)	–	(39,175)
Costs associated with issuing stock	–	–	–	–	–	–	(1,150)	–	(1,150)
Issuance of series F preferred stock	–	–	1,000	10	–	–	9,990	–	10,000
Conversion of common stock to series F preferred stock	–	–	65	1	(65)	(1)	–	–	–
Net income for the year ended July 31, 2007	–	–	–	–	–	–	–	6,608	6,608
Balance, July 31, 2007	11,275	$ 113	1,065	$ 11	10,192	$ 102	$ 42,798	$ 6,126	$ 49,150

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended July 31, 2007, 2006 and 2005

Note 1 – Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Dakota Growers Pasta Company, Inc. ("Dakota Growers" or "the Company") is a North Dakota corporation that operates milling and pasta manufacturing facilities in Carrington, North Dakota. In addition, the Company's wholly-owned subsidiary, Primo Piatto, Inc. ("Primo Piatto"), a Minnesota corporation, operates pasta manufacturing facilities in New Hope, Minnesota.

Principles of Consolidation

The consolidated financial statements are comprised of the Company, its wholly-owned subsidiary Primo Piatto, Inc., and DNA Dreamfields Company, LLC ("DNA Dreamfields"), which the Company began to consolidate in fiscal year 2005. All material inter-company accounts and transactions have been eliminated in the preparation of the consolidated financial statements.

The Company acquired an additional 17.25% ownership interest in DNA Dreamfields, effective May 1, 2005, resulting in an increase in the Company's ownership in DNA Dreamfields to 46.7%. As a result of the ownership increase and changes in the DNA Dreamfields operating agreement and other contractual agreements, the Company reevaluated whether DNA Dreamfields was a variable interest entity under FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities," (FIN 46(R)). The Company determined that DNA Dreamfields was a variable interest entity and that the Company was the primary beneficiary. Therefore, effective May 1, 2005, the Company began to include DNA Dreamfields in its consolidated financial statements. The financial statements for prior fiscal years have not been restated and therefore do not include consolidated data pertaining to DNA Dreamfields. The Company has included consolidated amounts for DNA Dreamfields in the income statement for the years ending July 31, 2005, 2006 and 2007. The Company had previously accounted for its investment in and share of net earnings or losses of its ownership interest in DNA Dreamfields Company, LLC under the equity method.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Reclassifications have been made to the financial statements as of July 31, 2006 and for the years ended July 31, 2006 and 2005 to facilitate comparability with the statements as of and for the years ended July 31, 2007. Such reclassifications have no effect on the net result of operations.

Risks and Uncertainties

The Company attempts to minimize the effects of durum wheat cost fluctuations mainly through forward contracting and through agreements with certain customers that provide for price adjustments based on raw material cost changes. Such efforts, while undertaken to attempt to minimize the risks associated with increasing durum costs on profitability, may temporarily prevent the Company from recognizing the benefits of declining durum prices.

Some of the Company's currently outstanding debt instruments have fixed interest rates to maturity. If the Company's operations require additional debt issuance, any changes in interest rates may have an impact on future results.

The Company's cash balances are maintained in various bank deposit accounts. The deposit accounts may exceed federally insured limits at various times throughout the year.

Impairment and Disposal of Long-Lived Assets

The Company accounts for impairment or disposal of long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell, and will cease to be depreciated. SFAS No. 144 also requires long-lived assets to be disposed of other than by sale to be considered as held and used until disposed of, requiring the depreciable life to be adjusted as an accounting change.

Goodwill

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," the Company does not amortize goodwill. SFAS No. 142 requires that goodwill be evaluated for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company used a discounted cash flow analysis in evaluating goodwill for impairment in fiscal years 2007 and 2006 and determined that no impairment charges were necessary.

Revenue Recognition

Revenues are recognized when risk of loss transfers, which occurs when goods are shipped. Pricing terms, including promotions and rebates, are final at that time. Revenues include amounts billed for products as well as any associated shipping costs billed to deliver such products.

The Company provides allowances for annual promotional programs based upon annual sales volumes. Revenues are presented net of discounts and allowances of $23,953,000, $26,474,000 and $24,184,000 for the years ended July 31, 2007, 2006 and 2005, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in financial institutions, and investments with maturities of less than 90 days.

Trade Accounts Receivable and Major Customers

The Company grants unsecured credit to certain customers who meet the Company's credit requirements. Trade accounts receivable are uncollateralized customer obligations due under normal terms and are generally noninterest bearing. Payments on trade receivables are allocated to specific invoices identified on a customer's remittance advice or, if unspecified, are generally applied to the earliest unpaid invoices. The carrying amount of the receivables is reduced by an amount that reflects management's best estimate of amounts that will not be collected. Trade accounts receivable are presented net of allowances for cash discounts and doubtful accounts, which totaled $1,048,000 and $1,080,000 as of July 31, 2007 and 2006, respectively.

One customer accounted for 22% and 15% of accounts receivable as of July 31, 2007 and 2006, respectively and 12%, 12% and 13% of net revenues for the years ended July 31, 2007, 2006 and 2005, respectively.

The following summarizes balance and activity information related to the allowance for cash discounts and doubtful accounts (in thousands):

	Balance at Beginning of Year	Charged to Costs and Expenses	Deductions from Allowance	Balance at End of Year
Allowance for cash discounts:				
Year ended July 31, 2007	$ 180	$ 2,592	$ (2,559)	$ 213
Year ended July 31, 2006	157	2,695	(2,672)	180
Year ended July 31, 2005	159	2,560	(2,562)	157
Allowance for doubtful accounts:				
Year ended July 31, 2007	$ 900	$ 9	$ (74)	$ 835
Year ended July 31, 2006	1,350	640	(1,090)	900
Year ended July 31, 2005	1,050	399	(99)	1,350
Allowance for cash discounts and doubtful accounts:				
Year ended July 31, 2007	$ 1,080	$ 2,601	$ (2,633)	$ 1,048
Year ended July 31, 2006	1,507	3,335	(3,762)	1,080
Year ended July 31, 2005	1,209	2,959	(2,661)	1,507

Inventories

Inventories are stated at the lower of cost or market, determined on a first-in, first-out (FIFO) basis, using product specific standard costs. The major components of inventories as of July 31, 2007 and 2006 are as follows (in thousands):

	2007	2006
Finished goods	**$ 22,873**	$ 19,589
Raw materials and packaging	**8,456**	6,529
	$ 31,329	$ 26,118

Concentration of Sources of Labor

The Company's total hourly and salaried workforce consists of approximately 435 employees, of which 32% are covered by collective bargaining agreements. The expiration dates of the union contracts are December 1, 2007 and September 30, 2008. Approximately 26% of the Company's workforce is covered by the collective bargaining agreement expiring September 30, 2008.

Property and Equipment

Property and equipment are stated at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Interest is capitalized on construction projects of higher cost and longer duration.

The initial acquisition of land by the Company was stated at the estimated fair value of the land at acquisition. Subsequent land acquisitions are recorded at cost.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method. The estimated useful lives used in the computation of depreciation expense range from 3 to 40 years. Depreciation expense totaled $6,007,000, $5,686,000 and $5,357,000 for the years ended July 31, 2007, 2006 and 2005, respectively.

Details relative to property and equipment are as follows (in thousands):

	2007	2006
Land and improvements	**$ 2,952**	$ 2,934
Buildings	**23,114**	22,899
Equipment	**106,589**	98,202
Property and equipment in service	**132,655**	124,035
Construction in progress	**776**	4,093
Less accumulated depreciation	**(61,985)**	(57,198)
	$ 71,446	$ 70,930

Investment in Cooperative Bank

Investment in cooperative bank is stated at cost, plus unredeemed patronage refunds received in the form of capital stock.

Other Assets

The Company capitalizes package design costs, which relate to certain third party costs to design artwork and to produce die plates and negatives necessary to manufacture and print packaging materials according to Company and customer specifications.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

These costs are amortized ratably over three to five year periods based on estimated useful life. Minor revisions are expensed as incurred. If a product design is discontinued or replaced prior to the end of the amortization period, the remaining unamortized balance is charged to expense. Package design costs are presented net of accumulated amortization totaling $5,281,000 and $4,849,000 as of July 31, 2007 and 2006, respectively.

The breakdown of other assets, net of accumulated amortization, is as follows (in thousands):

	2007	2006
Package design costs	**$ 575**	$ 555
Other	**468**	640
	$ 1,043	$ 1,195

Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	2007	2006
Accrued promotional costs	**$ 2,151**	$ 2,213
Accrued interest	**647**	664
Accrued freight	**582**	418
Other	**2,541**	2,662
	$ 5,921	$ 5,957

Shipping and Handling Costs

Shipping and handling costs are included in cost of goods sold upon shipment of the Company's product to its customers.

Advertising

Costs of advertising are expensed as incurred. Advertising expenses included in the consolidated income statement totaled $2,089,000, $2,808,000 and $5,062,000 (primarily related to consumer advertising for Dreamfields® pasta products) for the years ended July 31, 2007, 2006 and 2005, respectively.

Research and Development

Research and development costs are expensed as incurred. Research and development expenses included in the consolidated income statement for the years ended July 31, 2007, 2006 and 2005 totaled $602,000, $730,000 and $1,059,000, respectively, including $415,000, $229,000 and $551,000, respectively, incurred by DNA Dreamfields which the Company began to consolidate in fiscal year 2005.

Interest Expense, Net

The Company earns patronage refunds from its patronage-based debt issued through CoBank based on its share of the net interest income earned by CoBank. These patronage refunds received are applied against interest expense.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates expected to apply when the differences are expected to reverse. Deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Stock Options

Effective August 1, 2005, the Company adopted Statement of Financial Accounting Standard No. 123 (revised 2004), "Share Based Payment" (SFAS No. 123R). Under SFAS No. 123R, the Company is required to recognize, as expense, the estimated fair value of all share based payments to employees. In accordance with this standard, the Company has elected to recognize the compensation cost of all service based awards on a straight-line basis over the vesting period of the award. Performance based awards are recognized ratably for each vesting tranche.

Prior to adopting SFAS No. 123R, the Company had elected to follow Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its employee stock options and had adopted the pro forma disclosure requirements under SFAS No. 123, "Accounting for Stock-Based Compensation." Prior to August 1, 2005, the Company had not recognized any compensation expense under APB No. 25 upon the granting or exercise of stock options because the exercise price was equal to or greater than the market price of the underlying stock on the date of grant.

Earnings per Share

Basic Earnings per Share (EPS) is calculated by dividing net earnings on common stock by the weighted average number of common shares effective and outstanding during the period. Diluted EPS includes the effect of all potentially dilutive securities, such as options and convertible preferred stock.

Dilutive securities, consisting of stock options and convertible preferred stock, included in the calculation of diluted weighted average common shares totaled 575,000 shares, 386,000 shares and 380,000 shares for the years ended July 31, 2007, 2006 and 2005, respectively. The series F convertible preferred stock is included in the fully diluted EPS calculation and not included in the basic EPS calculation. As there is currently no established public trading market for the Company's common stock, the Company has assumed the proceeds from the exercise of stock options would reduce debt and, thus, interest expense for purposes of calculating diluted EPS.

Recently Issued Accounting Standards

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections". SFAS 154 replaces Accounting Principles Board Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28". SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. SFAS 154 requires "retrospective application" of the direct effect of a voluntary change in accounting principle to prior periods' financial statements where it is practicable to do so. SFAS 154 also redefines the term "restatement" to mean the correction of an error by revising previously issued financial statements. SFAS 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005 unless adopted early. The adoption of this accounting standard did not have a

material impact on the consolidated financial position, results of operations or cash flows, except to the extent that the statement subsequently requires retrospective application of a future item.

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN No. 48), "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109", which clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN No. 48 clarifies the application of SFAS No. 109 by defining criteria that an individual tax position must meet for any part of the benefit of that position to be recognized in the financial statements. Additionally, FIN No. 48 provides guidance on the measurement, de-recognition, classification and disclosure of tax positions along with the accounting for the related interest and penalties. The provisions of FIN No. 48 are effective for the fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company will be required to adopt FIN No. 48 for its fiscal year beginning August 1, 2007. The Company does not expect this Statement to have a material impact on its financial statements upon adoption. However, future changes in the Company's income tax situation may have a material impact on the Company's financial statements as a result of this Statement.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We have not yet assessed the impact, if any, that the implementation of SFAS No. 157 will have on our consolidated results of operations or financial condition.

In September 2006, the U.S. Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 addresses the diversity in practice of quantifying financial statement misstatements resulting in the potential build up of improper amounts on the balance sheet. SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The SEC staff believes that registrants should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 is effective in fiscal year 2007. SAB 108 allows a one-time transitional cumulative effect adjustment to beginning retained earnings for errors that were not previously deemed material, but are material under the guidance in SAB 108. The adoption of SAB 108 did not have a material effect on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees and issued debt. Other eligible items include firm commitments. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that FAS 159 will have on our financial statements.

Note 2 – DNA Dreamfields Company, LLC

DNA Dreamfields was formed by the Company and other food technology, manufacturing and consumer products marketing enterprises to develop, manufacture and sell low digestible carbohydrate pasta, rice and potatoes under the Dreamfields® brand name. The Company initially acquired a 24% ownership interest in DNA Dreamfields during fiscal year 2004. At that time, the Company accounted for the investment using the equity method after reviewing the applicability of FIN 46(R) to the Company's interest in DNA Dreamfields. The Company increased its economic ownership in DNA Dreamfields to 29.5% in November 2004.

The Company acquired an additional 17.25% ownership interest in DNA Dreamfields effective May 1, 2005, resulting in an increase in the Company's ownership in DNA Dreamfields to 46.7%. In conjunction with the Company's increase in ownership in DNA Dreamfields, the DNA Dreamfields operating agreement was amended whereby Dakota Growers was named the managing member of DNA Dreamfields. As a result of the ownership increase and changes in the DNA Dreamfields operating agreement and other contractual agreements, the Company reevaluated whether DNA Dreamfields was a variable interest entity under FIN 46(R). The Company determined that DNA Dreamfields was a variable interest entity and that the Company was the primary beneficiary. Therefore, effective May 1, 2005, the Company began to include DNA Dreamfields in its consolidated financial statements. Goodwill totaling $16,654,000 was recorded in conjunction with the Company's consolidation of DNA Dreamfields. The financial statements for prior fiscal years have not been restated and therefore do not include consolidated data pertaining to DNA Dreamfields. The Company has included consolidated amounts for DNA Dreamfields in the income statements for the years ending July 31, 2007, 2006 and 2005. The Company had previously accounted for its investment in and share of net earnings or losses of its ownership interest in DNA Dreamfields Company, LLC under the equity method.

The Company has entered into a manufacturing agreement with DNA Dreamfields whereby Dakota Growers is the exclusive manufacturer of Dreamfields® pasta. The Company has also entered into a services agreement with DNA Dreamfields under which the Company provides administrative, accounting, information technology, sales, customer service and distribution services to DNA Dreamfields.

Pursuant to the terms of the services agreement with DNA Dreamfields, sales of Dreamfields® products are included in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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the Company's net revenues. Manufacturing, distribution, and promotional costs incurred by the Company related to Dreamfields® products are included in the applicable line items of the Company's income statement. The Company calculates a net amount due to DNA Dreamfields based on the total sales of Dreamfields® product less related Dreamfields® product and selling costs, as outlined in the manufacturing agreement. All material inter-company accounts and transactions have been eliminated in the preparation of the consolidated financial statements as of and for the years ended July 31, 2007, 2006 and 2005.

The Company entered into a "2005 Line of Credit Loan Agreement" with DNA Dreamfields in fiscal year 2005. Under that Agreement, the Company has agreed to loan up to $5,000,000 to DNA Dreamfields, with DNA Dreamfields able to repay and reborrow amounts under the Line of Credit Loan Agreement from time to time. The Line of Credit Loan Agreement matures on May 31, 2010. The balance outstanding related to advances to DNA Dreamfields under the Line of Credit Loan Agreement totaled $2,283,000 and $2,184,000 as of July 31, 2007 and July 31, 2006, respectively. These amounts have been eliminated in the preparation of the consolidated financial statements. To secure the obligations of DNA Dreamfields under the 2005 Line of Credit Loan Agreement, the other member/owners of DNA Dreamfields have pledged their Membership Units in DNA Dreamfields to the Company.

The Company acquired the remaining shares of DNA Dreamfields effective September 21, 2007, increasing its ownership to 100%. See Note 17 - Subsequent Events.

Note 3 – Short-Term Notes Payable

Effective May 31, 2007, the Company secured a $25 million revolving credit facility with CoBank that extends through May 29, 2008. Interest on the revolving line is at the 7-day LIBOR rate subject to performance adjustments depending upon the Company's ratio of total debt to earnings before interest, taxes, depreciation and amortization or "EBITDA." The higher the ratio the higher the adjustment to the 7-day LIBOR rate within a range of 175 to 275 basis points above the 7-day LIBOR rate. Fixed interest rate options are also available. Balances outstanding under this revolving line of credit arrangement totaled $7.4 million as of July 31, 2007. There was no balance outstanding under this revolving line of credit arrangement as of July 31, 2006. The Company had $17.6 million available for borrowings under the line of credit as of July 31, 2007. Weighted average interest rates on short-term borrowings were 7.48%, 6.40% and 4.84% for the years ended July 31, 2007, 2006 and 2005, respectively.

Note 4 – Long-Term Debt

Information regarding long-term debt at July 31, 2007 and 2006 is as follows (in thousands):

	2007	2006
Non-patronage term loan from CoBank due in annual principal installments of $1,200,000 through September 30, 2008, interest at 5.71%, collateralized by all assets of the Company	**$ 2,400**	$ 3,600
Senior Secured Guaranteed Notes, Series A, due in annual principal installments of $2,571,000 through August 1, 2008, interest at 8.04%, collateralized by all assets of the Company	**5,145**	7,716
Senior Secured Guaranteed Notes, Series B, due in annual principal installments of $1,000,000 through August 1, 2010, interest at 8.14%, collateralized by all assets of the Company	**4,000**	5,000
Term loan from CoBank due in quarterly installments of $500,000 for four quarters starting August 20, 2006 and of $1,100,000 quarterly thereafter through May 20, 2011, variable interest (7.59% at July 31, 2006; 7.07% at July 31, 2007), collateralized by all assets of the Company	**17,000**	19,000
Term loan from CoBank due in quarterly installments of $1,350,000 for fourteen quarters starting May 2011 and a $1,100,000 final payment on November 20, 2014, variable interest (7.07% at July 31, 2007), collateralized by all assets of the Company	**20,000**	–
Capital lease, five year term through March 31, 2012, fixed interest at 6.98%	**1,617**	–
Total long-term debt	**50,162**	35,316
Less current portion	**9,481**	6,771
Net long-term debt	**$ 40,681**	$ 28,545

Aggregate future maturities required on long-term debt are as follows (in thousands):

Years ending July 31,	
2008	9,481
2009	9,507
2010	5,756
2011	6,532
2012	5,636
Thereafter	13,250
	$ 50,162

The Company has a $2,400,000 letter of credit commitment with CoBank, securing the non-patronage loan from CoBank. The letter of credit commitment is subject to a commitment fee of 1.0% on an annualized basis and expires December 31, 2008. Advances on the letter of credit commitment are payable on demand.

The Company's debt agreements with CoBank and the institutional note holders obligate the Company to maintain or achieve certain amounts of equity and financial ratios and impose restrictions on the Company. The Company was in compliance with these financial covenants as of July 31, 2007.

The Company incurred $3,013,000, $2,960,000 and $2,518,000 of interest on long and short-term debt and other obligations in fiscal years 2007, 2006 and 2005, respectively, of which $109,000, $243,000 and $121,000 was capitalized in the respective periods. Patronage income from CoBank of $132,000, $144,000 and $114,000 was netted against interest expense on the statement of operations for the years ended July 31, 2007, 2006 and 2005, respectively.

On February 14, 2007 the Company entered into a $20 million term loan agreement with CoBank to partially fund a tender offer to purchase up to 3,920,000 shares of the Company's common stock at $10.00 per share in cash. Availability under the term loan was contingent upon at least 50% of the aggregate purchase price of the shares in the tender offer coming from proceeds of the sale of equity securities to MVC Capital, Inc. and La Bella Holdings LLC. The Company must repay this term loan in quarterly installments beginning in May 2011 and concluding in November 2014. Interest on the term loan is at the 7-day LIBOR rate subject to performance adjustments depending upon the Company's ratio of total debt to EBITDA. The higher the ratio the higher the adjustment to the 7-day LIBOR rate within a range of 175 to 275 basis points above the 7-day LIBOR rate. Fixed interest rate options are also available.

Note 5 – Stockholders' Equity

The Company is authorized to issue 75,000,000 shares of Common Stock, $.01 par value per share, 533 shares of Series A Preferred Stock, $100 par value per share, 525 shares of Series B Preferred Stock, $100 par value per share, 2,731 shares of Series C Preferred Stock, $100 par value per share, 11,340,841 shares of Series D Delivery Preferred Stock, $.01 par value per share, 130,000 shares of Series E Junior Participating Preferred Stock, $.01 par value per share, 2,100,000 shares of Series F Convertible Preferred Stock, $.01 par value per share and 11,425,370 shares of undesignated preferred stock, $.01 par value per share.

Holders of Series C Preferred Stock shall receive payment of a non-cumulative annual dividend at the rate of 6% of the $100 par value on each share of Series C Preferred Stock. Each share of Series C Preferred Stock is convertible into 24 shares of Common Stock and 24 shares of Series D Delivery Preferred Stock of the Company. The conversion ratio shall be proportionately adjusted at any time the outstanding shares of Common Stock are increased or decreased without payment by or to the Company or the Company's shareholders.

Each share of Series D Delivery Preferred Stock of the Company gives its holder the privilege, but not the obligation, to deliver one bushel of durum wheat to the Company each year on a "first-come, first-served" basis. Because the privilege of a holder of Series D Delivery Preferred Stock to deliver durum wheat to the Company only arises if the Company requires durum, the privilege is not absolute. Holders of Series D Delivery Preferred Stock will be entitled to receive, if and when declared by the Board of Directors, a non-cumulative annual dividend of up to $.04 per share on each share of Series D Delivery Preferred Stock held by such holder. The Company must pay holders of Series D Delivery Preferred Stock a dividend of at least $.01 per share before paying any dividends on Common Stock.

Holders of Series F Convertible Preferred Stock have the right, exercisable at any time upon sixty-five (65) days written notice to the Company, to convert any number of the holder's shares of Series F Preferred Stock into an equal number of shares of the Company's Common Stock, par value $.01 per share. Series F Convertible Preferred Stock shall not carry the right to vote on matters submitted to the vote of the shareholders of the Company. Except as otherwise provided, the Series F Preferred Stock shall have all rights of the Common Stock, including but not limited to any rights to dividends or to distributions upon liquidation.

The Board of Directors of the Company adopted a Rights Plan that became effective July 1, 2002. Under the Rights Plan, the Board of Directors of the Company has declared a dividend of one purchase right (a "Right") for each outstanding share of Common Stock held. Each Right will entitle the holder to purchase from the Company one-hundredth of one share of Series E Junior Participating Preferred Stock at a specified price, subject to certain adjustments. The Rights will not become exercisable, and will not be transferable apart from the Company's shares of Common Stock, until a person or group has acquired 15% or more of the Company's Common Stock or has commenced a tender or exchange offer for 15% or more of the Company's Common Stock. In those events, each Right will entitle the holder (other than the acquiring person or group) to receive, upon exercise, common shares of either the Company or the acquiring company having value equal to two times the exercise price of the Right. The Rights issued under the Rights Plan will be redeemable by the Company's Board of Directors in certain circumstances and will expire ten years from the date of adoption.

On May 10, 2007, the Company closed the sale of 1 million shares of Series F convertible preferred stock to MVC Capital, Inc. ("MVC") and the sale of 1 million shares of common stock to LaBella Holdings, LLC at a purchase price of $10.00 per share. The Company also received $20 million in loan proceeds under a term loan agreement with CoBank. With the net proceeds of $38.8 million from these financing transactions and working capital provided by the Company, Dakota Growers purchased 3,917,519 shares of common stock that had been properly tendered to the Company at $10.00 per share net in cash pursuant to the Company's tender offer, which expired on April 27, 2007.

The Company's Board of Directors authorized the payment of $0.01 and $0.04 per share dividend on its Series D delivery preferred stock and a non-periodic dividend payment of $0.14 and $0.04 per share on its common stock, payable on January 3, 2007 and January 10, 2006 to shareholders of record as of December 20, 2006 and December 19, 2005, respectively.

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Note 6 – Employee Benefit Plans

Dakota Growers Pasta Company, Inc. and Primo Piatto, Inc. have a 401(k) plan that covers employees who have met age and service requirements. The plan covers employees who have reached 18 years of age and who have completed 500 hours of service within six months. The Company matches 100% on the first 3% of the employees' elected deferral and 50% on the next 2%. Employer contributions to the plan totaled $537,000, $499,000 and $437,000 for the years ended July 31, 2007, 2006 and 2005, respectively.

Primo Piatto, Inc. is also required to contribute to a multi-employer pension plan covering certain hourly employees subject to a collective bargaining agreement. Such employees may also participate in the 401(k) plan but are excluded from amounts contributed by Primo Piatto. Contributions to the pension plan for the years ended July 31, 2007, 2006 and 2005 totaled $106,000, $83,000 and $51,000, respectively.

Note 7 – Income Taxes

Significant components of the Company's deferred tax assets and liabilities as of July 31, 2007 and 2006 related to temporary differences are as follows (in thousands):

	2007	2006
Deferred tax assets		
Accounts receivable allowances	**$ 409**	$ 421
Accrued expenses and other reserves	**695**	534
Other	**–**	68
Total deferred tax assets	**1,104**	1,023
Deferred tax liabilities		
Property and equipment	**(13,264)**	(12,485)
Other	**(210)**	–
Net deferred tax liabilities	**$ (12,370)**	$ (11,462)

Classified in the accompanying balance sheets as follows:

	2007	2006
Current assets	**$ 1,104**	$ 955
Noncurrent liabilities	**(13,474)**	(12,417)
Net deferred tax liabilities	**$ (12,370)**	$ (11,462)

At July 31, 2005, the Company had an AMT credit carryforward of $851,000, which was utilized in the year ended July 31, 2006. Management believes it is more likely than not that the deferred tax assets as of July 31, 2007 will be realized through the generation of future taxable income and tax planning strategies.

Income tax expense for the years ended July 31, 2007, 2006 and 2005 consists of the following (in thousands):

	2007	2006	2005
Current income tax expense	**$ 2,851**	$ 1,795	$ 568
Deferred income taxes	**908**	998	1,038
Income tax expense	**$ 3,759**	$ 2,793	$ 1,606

The reconciliation of the federal statutory income tax rate to the effective income tax rate for the years ended July 31, 2007, 2006 and 2005 is as follows:

	2007	2006	2005
Federal statutory income tax rate	**34.0%**	34.0%	34.0%
State income taxes, net of federal income tax effect	**5.0**	5.0	5.0
Other	**(2.7)**	–	–
Effective income tax rate	**36.3%**	39.0%	39.0%

Note 8 – Fair Value of Financial Instruments

The fair value of a financial instrument is generally defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Quoted market prices are generally not available for the Company's financial instruments. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amount of cash and cash equivalents, receivables, payables, short-term debt and other current assets and liabilities approximates fair value because of the short maturity and/or frequent repricing of those instruments.

The Company believes it is not practical to estimate the fair value of the securities of non-subsidiary cooperatives without incurring excessive costs because there is no established market for these securities and it is inappropriate to estimate future cash flows, which are largely dependent on future patronage earnings of the non-subsidiary cooperatives.

Based upon current borrowing rates with similar maturities, the fair value of the long-term debt approximates the carrying value as of July 31, 2007 and 2006.

Note 9 – Operating Leases

The Company leases equipment and office space under operating lease agreements. Future obligations for operating leases for fiscal years ended July 31 are as follows (in thousands):

Year ending July 31:	
2008	$ 317
2009	170
2010	79
2011	14
2012	–
Thereafter	–
	$ 580

Lease expense totaled $1,138,000, $1,462,000 and $1,413,000 for the years ended July 31, 2007, 2006 and 2005, respectively.

Note 10 – Capital Lease

On March 30, 2007, the Company entered into a lease agreement for certain pasta equipment, which had previously

been accounted for in a sale-leaseback transaction as discussed in Note 11, valued at $1.75 million. The equipment lease, which has a term of 5 years expiring on March 31, 2012, is classified as a capital lease.

The following is a schedule by years of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of July 31, 2007 (in thousands):

Year ending July 31:	
2008	$ 413
2009	413
2010	413
2011	413
Later Years	241
Total minimum lease payments	1,893
Less: Amount representing interest	(276)
Present value of net minimum lease payments	$ 1,617

The equipment is being depreciated over its estimated useful economic life and is included in the depreciation expense for the year ending July 31, 2007.

Certain pasta equipment under capital lease at July 31, 2007 (in thousands):

	2007
Equipment	$ 1,750
Less: Accumulated depreciation	(58)
Total	$ 1,692

Note 11 – Sale-Leaseback

The Company entered into a sale-leaseback transaction effective March 29, 2002, for certain pasta production equipment. Proceeds from the sale totaled $5 million. The lease, which was classified as operating, set forth an initial term of five years and called for lease payments of $72,000 per month. At the end of the initial lease term, the Company could renew the lease at fair rental value, terminate the lease and surrender the equipment with the payment of a 10% of equipment cost remarketing fee, or purchase the equipment for $1,750,000. The Company realized a gain on the sale of $255,000, which was deferred and was amortized in proportion to the gross rentals charged to expense over the five-year lease term. The Company entered into a capital lease for this pasta production equipment on March 30, 2007 for $1.75 million as discussed in Note 10.

Note 12 – Commitments and Contingencies

The Company forward contracts for a certain portion of its future durum wheat requirements. At July 31, 2007, the Company had outstanding commitments for grain purchases totaling $17,211,000 related to forward purchase contracts. These contracts are set price contracts to deliver grain to the Company's mill and are not derivative in nature as they have no net settlement provision and are not transferable.

Pursuant to certain warehouse agreements, the Company is obligated to minimum monthly storage and handling amounts totaling $2,527,000 for the year ending July 31, 2008.

The Company is subject to various lawsuits and claims which arise in the ordinary course of its business. While the results of such litigation and claims cannot be predicted with certainty, management believes the disposition of all such proceedings, individually or in aggregate, should not have a material adverse effect on the Company's financial position, results of operations or cash flows.

Note 13 – Stock Option Plans

On January 31, 1997 the Cooperative's Compensation Committee of the Board of Directors (the "Compensation Committee") adopted the Dakota Growers Incentive Stock Option Plan (the "Plan"). The Plan was ratified by the Cooperative members at the annual meeting in January 1998. The Compensation Committee or the Board of Directors has the power to determine the key management employees of the Company to receive options and the number of shares to be optioned to each of the employees. Options granted under the Plan are for the purchase of Series C Convertible Preferred Stock at fair market value, which were convertible into Equity Stock as a cooperative, and are now convertible into Common Stock and Series D Delivery Preferred Stock as a corporation at the option of the employee, under the applicable conversion ratio. The maximum number of preferred shares that may be issued pursuant to options granted under the Plan is 15,000, all of which have been issued. Each share of Series C Preferred Stock is convertible into 24 shares of Common Stock and 24 shares of Series D Delivery Preferred Stock of the Company. The conversion ratio is proportionately adjusted if the Company increases the outstanding shares of Common Stock or Series D Delivery Preferred Stock, as applicable, without payment by or to the Company or the Company's shareholders for such additional shares (e.g. stock split, stock dividend or other action). Options granted under the Plan must be exercised within ten years from the date such options are granted. In the event of the employee's termination with the Company, all exercisable options may be exercised within 90 days of the termination date. If not exercised, such options lapse.

The Company's 2002 Stock Option Plan (the "2002 Plan") was adopted by the Board of Directors on November 21, 2002. All options granted under the 2002 Plan are non-qualified stock options and are for the purchase of the Company's Common Stock. The maximum number of shares of Common Stock that may be issued pursuant to options granted under the 2002 Plan is 294,456 shares, all of which have been issued. Stock options granted under the 2002 Plan expire 10 years from the date of grant.

On November 21, 2002 the Board of Directors adopted the Dakota Growers Pasta Company, Inc. 2003 Stock Option Plan (the "2003 Plan"), which was approved by the Company's shareholders at the Annual Meeting on January 11, 2003. The 2003 Plan covers 500,000 shares of the Company's Common Stock. Participation in this Plan shall be limited to officers, directors, employees, vendors or consultants of the Company or any subsidiary of the Company. Options granted under the 2003 Plan may be incentive stock options (as defined under Section 422 of the Code) or non-qualified stock options, as determined by the 2003 Plan administrator at the time of grant of an option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated there under. The stock options generally expire 10 years from the date of grant. If the employment of the Optionee is terminated by any reason other than his or her death or disability, all exercisable options may be exercised within 90 days of the termination date. If not exercised, such options lapse.

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The following tables set forth information regarding stock options outstanding and exercisable:

	Options to purchase Series C Convertible Preferred Stock			
	Number of Series C Convertible Preferred Shares	Option Price per Share	Weighted Average Exercise Price	Exercisable
Outstanding at July 31, 2004	2,731	$100-$150	$112.56	2,731
Exercised	–			
Granted	–			
Forfeited/Expired	–			
Outstanding at July 31, 2005	2,731	$100-$150	$112.56	2,731
Exercised	–			
Granted	–			
Forfeited/Expired	(754)	$100	$100	
Outstanding at July 31, 2006	1,977	$100-$150	$117.35	1,977
Exercised	–			
Granted	–			
Forfeited/Expired	–			
Outstanding at July 31, 2007	1,977	$100-$150	$117.35	1,977

	Options to purchase Common Stock			
	Number of Common Shares	Option Price per Share	Weighted Average Exercise Price	Exercisable
Outstanding at July 31, 2004	374,980	$4.25-$6.25	$5.82	294,456
Exercised	–			
Granted	–			
Forfeited/Expired	–			
Outstanding at July 31, 2005	374,980	$4.25-$6.25	$5.82	334,722
Exercised	–			
Granted	141,256	$4.00	$4.00	
Forfeited/Expired	(130,399)	$4.00-$6.25	$5.81	
Outstanding at July 31, 2006	385,837	$4.00-$6.25	$5.16	242,517
Exercised	(5,550)	$4.00	$4.00	
Granted	272,726	$5.00	$5.00	
Forfeited/Expired	–			
Outstanding at July 31, 2007	653,013	$4.00-$6.25	$5.10	317,243

Effective August 1, 2005, the Company adopted Statement of Financial Accounting Standard No. 123 (revised 2004), "Share Based Payment" (SFAS No. 123R). Under SFAS No. 123R, the Company is required to recognize, as expense, the estimated fair value of all share based payments to employees. In accordance with this standard, the Company has elected to recognize the compensation cost of all service based awards on a straight-line basis over the vesting period of the award. Performance based awards are recognized ratably for each vesting tranche. For the years ended July 31, 2007 and 2006, the Company recorded stock-based employee compensation expense of $210,000 and $65,000, respectively.

On October 19, 2006, the Board of Directors granted incentive stock options to purchase 272,726 shares of the Company's common stock at a per share exercise price of $5.00. The vesting of these options is subject to certain qualifications, including but not limited to, the continued employment of the optionee with the Company. Subject to the foregoing qualifications and certain other qualifications, fifty percent of these options vest on October 19, 2007, twenty-five percent vest on October 19, 2008, and twenty-five percent vest on October 19, 2009.

Prior to adopting SFAS No. 123R, the Company had elected to follow Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its employee stock options and had adopted the pro forma disclosure requirements under SFAS No. 123, "Accounting for Stock-Based Compensation." Prior to August 1, 2005, the Company had not recognized any compensation expense under APB No. 25 upon the granting or exercise of stock

options because the exercise price was equal to or greater than the market price of the underlying stock on the date of grant.

The fair value of the stock options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: 2007 – risk free interest rate of 4.7%, expected dividend yield of 1.0%, expected life of 5 years and volatility of 25%; 2006 - risk free interest rate of 4.4%, expected dividend yield of 1.0%, expected life of 5 years and volatility of 30%. The pro forma application of Statement of Financial Accounting Standard (SFAS) No. 123 "Accounting for Stock-Based Compensation" would not have had a material impact on net income and earnings per share for the year ended July 31, 2005.

A summary of the status of the Company's issued but nonvested stock options as of July 31, 2007, and changes during the year ended July 31, 2007, is presented below:

Nonvested Stock Options	Common Shares	Weighted-Average Grant-Date Fair Value
Nonvested at July 31, 2006	143,320	$ 4.03
Granted	272,726	$ 5.00
Vested	(80,276)	$ 4.05
Forfeited/Expired	–	
Nonvested at July 31, 2007	335,770	$ 4.81

As of July 31, 2007, there was approximately $296,000 of total unrecognized compensation cost related to nonvested employee stock options. That cost is expected to be recognized over a period of 2.25 years.

Note 14 – Related Party Transactions

Amounts due from executive officers totaled $47,000 as of July 31, 2007 and 2006.

In May 2007, the Company paid MVC Financial Services, Inc. and LaBella Holdings LLC $200,000 each in closing fees. The payments were based on 2% of the issuance of 1,000,000 shares of series F preferred stock at $10 per share and 1,000,000 shares of common stock at $10 per share. See Note 5 – Stockholders' Equity. MVC Financial Services, Inc. is an affiliate of MVC Capital, Inc., a holder of 5% or greater of the Company's Common Stock. Michael T. Tokarz, a director of the Company, is a stockholder and Chairman of MVC Capital, Inc. LaBella Holdings LLC is a holder of 5% or greater of the Company's Common Stock. Richard Thompson, a director of the Company, is a managing member of LaBella Holdings LLC.

Note 15 – Continued Dumping and Subsidy Offset Act of 2000

U.S. Customs and Border Protection ("Customs") has distributed antidumping and countervailing duties assessed on certain pasta imported from Italy and Turkey to affected domestic producers pursuant to the Continued Dumping and Subsidy Offset Act of 2000 (the "Offset Act"), which was enacted in October 2000. The Company received payments in the amount of $1,300,000, $1,103,000 and $425,000 in December 2006, 2005 and 2004, respectively, under the Offset Act. The net proceeds received under the Offset Act have been classified as Other Income on the Income Statement. The Company cannot reasonably estimate the potential amount, if any, that it may receive under the Offset Act in future periods as any such amount will be based upon future events over which the Company has little or no control, including, but not limited to, the amount of expenditures by domestic pasta producers and the amount of antidumping and countervailing duties collected by Customs.

Note 16 – Quarterly Financial Data (Unaudited)

Summary quarterly results are as follows (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended July 31, 2007:				
Net revenues	$ 48,933	$ 47,174	$ 46,084	$ 48,871
Gross profit	6,073	5,102	6,834	7,478
Operating income	2,831	1,626	3,646	4,411
Net income	894	1,497	1,882	2,335
Basic net earnings per common share	0.07	0.11	0.14	0.20
Year ended July 31, 2006:				
Net revenues	$ 44,072	$ 42,490	$ 41,968	$ 42,979
Gross profit	5,240	4,366	6,403	6,596
Operating income	1,372	120	3,047	3,876
Net income	399	617	1,487	1,870
Basic net earnings per common share	0.03	0.01	0.11	0.15

The above quarterly financial data is unaudited, but in the opinion of management, all adjustments necessary for a fair presentation of the selected data for these interim periods presented have been included.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Continued

Note 17 - Subsequent Events

Effective September 21, 2007, the Company acquired the remaining units of DNA Dreamfields, increasing its ownership to 100%. Pursuant to the terms of the purchase agreement, the Company acquired the remaining units for an aggregate purchase price of $2,231,614 or $37,393 per purchased unit. In conjunction with this purchase, the Company eliminated the noncontrolling interest and reduced recorded goodwill associated with DNA Dreamfields in the Company's first quarter of fiscal year 2008. The Company will continue to include DNA Dreamfields in its consolidated financial statements.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee, Board of Directors and Stockholders
Dakota Growers Pasta Company, Inc.
Carrington, North Dakota

We have audited the accompanying consolidated balance sheets of Dakota Growers Pasta Company, Inc. and Subsidiary as of July 31, 2007 and 2006, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years ended July 31, 2007, 2006, and 2005. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dakota Growers Pasta Company, Inc. and Subsidiary as of July 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years ended July 31, 2007, 2006, and 2005, in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Eide Bailly LLP
Minneapolis, Minnesota
October 25, 2007

BOARD OF DIRECTORS


John S. Dalrymple III


John D. Rice Jr.


Curtis R. Trulson


Eugene J. Nicholas


Roger A. Kenner


Jeffrey O. Topp


Allyn K. Hart


Michael T. Tokarz


James F. Link


Richard C. Thompson


Michael E. Warner

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Curtis R. Trulson
Michael E. Warner

Audit Committee
Curtis R. Trulson
John S. "Jack" Dalrymple III
Michael E. Warner

Nomination Committee
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John D. Rice Jr.
Timothy J. Dodd

Policy Committee
Allyn K. Hart
Curtis R. Trulson
James F. Link

EXECUTIVE OFFICERS

Timothy J. Dodd, President and Chief Executive Officer
Edward O. Irion, Chief Financial Officer

CORPORATE INFORMATION

Corporate Headquarters
Dakota Growers Pasta Company, Inc.
One Pasta Avenue, Carrington, ND 58421
701-652-2855

Auditors
Eide Bailly LLP
Minneapolis, MN

Inquiries Regarding Your Stock Holdings
CUSIP # 23422 P106

Registered Shareholders (shares held by you in your name) should address communications concerning statements, dividend payments, address changes, lost certificates and other administrative matters to:

Wells Fargo Bank Minnesota, N.A.
Shareholder Services
161 North Concord Exchange
South St. Paul, MN 55075
Customer Service: 1-800-468-9716
website: www.wellsfargo.com/shareownerservices

When inquiring about your stockholdings, please mention Dakota Growers Pasta Co., your name, Social Security number, address and telephone number.

Beneficial Shareholders (shares held by your broker in the name of the brokerage house) should direct communications on all administrative matters to your stockbroker.

Annual Meeting
January 5, 2008
Registration 11 a.m., Meeting 1 p.m.
Lake Region State College
1801 College Drive North
Devils Lake, ND 58301

Form 10-K
A copy of the Company's 2007 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available through the Company's website or SEC's EDGAR system at www.sec.gov. It will also be furnished without charge upon written request to:

Investor Relations
Dakota Growers Pasta Company, Inc.
One Pasta Avenue, Carrington, ND 58421
701-652-2855

Website
www.dakotagrowers.com

Originally organized in 1991 as a cooperative of durum wheat growers, Dakota Growers Pasta Company, Inc. continues as the third largest producer of dry pasta products in North America. Dakota Growers is the leading supplier of retail store brand pasta and a leader in the foodservice and ingredient pasta markets. Processing plants are located in Carrington, North Dakota and New Hope, Minnesota. The Company employs approximately 435 people.

DAKOTA GROWERS PASTA CO.

One Pasta Avenue
Carrington, ND 58421
Phone: (701) 652-2855
Fax: (701) 652-3552
www.dakotagrowers.com

EXHIBIT H

Like us if you Love Dreamfields
Follow us on Twitter
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DIETARY FIBER?

AUTHENTIC PASTA TASTE & TEXTURE

Dreamfields tastes so good because it is made with premium durum wheat semonlina. You get the authentic taste and al dente texture you expect from pasta...guaranteed!

DREAMFIELDS
Authentic
PASTA TASTE
GUARANTEED

DIGESTIBLE CARBOHYDRATES

Dreamfields' patent pending formula and unique manufacturing process creates a matrix within the pasta, protecting 31 grams of carbohydrates from being digested.

CARB FACTS

TOTAL CARBS	41
FIBER	-5
PROTECTED CARBS	-31
DIGESTIBLE CARBS	5

GLYCEMIC INDEX OF 13

Dreamfields is healthy food with a very low glycemic index of only 13. That's 65% lower than regular white or wheat pasta. So, you feel satisfied longer helping you stay on your diet.

65% LOWER

DIETARY FIBER

Dreamfields contains over twice the fiber of regular pasta, with a natural prebiotic fiber that has been scientifically shown to improve digestive health and help support a healthy immune system.

2 x the FIBER

- Our Pasta
- Expert Q&A
- Diabetes Info
- Find A Store
- Buy Online
- Recipes
- Professionals
- Newsroom
- Contact

Search Dreamfields

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Dreamfields Pasta: Healthy by Design
Learn More About Diabetes
What Does Rachael Ray Say?
Healthy Eating Tips for the Holidays

Current News

Dreamfields Pasta Engages Thousands via Diabetes Webcast
Watch it here
Interview with Dreamfields President Mike Crowley
Straight Talk About Low-Carb Pasta
READ ALL NEWS STORIES >>

CHOOSE HEALTHY. CHOOSE DREAMFIELDS.

Who would have thought delicious, authentic pasta could be eaten by people with diabetes and low carb dieters…

For some of us, pasta can no longer be on the menu. Like people with diabetes who need to watch their blood sugar. Or those on a low carb diet to manage weight. Happily, many who couldn't eat pasta have discovered a new way to enjoy delicious pasta whenever they want. As long as the pasta they choose is Dreamfields Pasta.

Our healthy pasta recipe has fewer digestible carbs, about the same high fiber as whole wheat pasta, and it can help you manage your blood sugar. Dreamfields even has the great taste and al dente texture of authentic pasta. Too good to be true? Get a $1.00 coupon now so you can try Dreamfields Pasta and taste for yourself. You can also check our new "How It Works" video and learn how Dreamfields allows you to enjoy pasta again while still living a healthy life style.

FIND OUR PASTA WHERE YOU SHOP, OR BUY ONLINE.

BUY DREAMFIELDS NOW

SIGN UP FOR OUR NEWSLETTER, PLUS GET A $1.00 COUPON.

Print your coupon right away, then get our monthly email with healthy recipes, coupon savings, and other tasty info.

Enter E-mail Address GO

DREAMFIELDS FOODS 1600 UTICA AVE S SUITE 350 ST. LOUIS PARK, MN 55416 1-800-250-1917

EXHIBIT I

Like us if you Love Dreamfields
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Check out Dreamfields on Pinterest

- Our Pasta
- Expert Q&A
- Find A Store
- Buy Online
- Recipes
- Professionals
- Newsroom
- Contact

DIABETES INFO

Diabetes Info - Home

Six Steps for Health

Eating Plan Tools

Find a Professional

Diabetes Resources

Professional Resources

Search Dreamfields

Diabetes and Dreamfields? Discover the Pasta-bilities.

One of the most prevalent myths that comes with a diabetes diagnosis it that you will never be able to enjoy many of your favorite foods again, pasta being one of them. That's simply not true! While you do need to control carbohydrate, calorie, and fat intake, and make sensible food choices, Dreamfields pasta can be part of your healthful eating plan.

Get this recipe >>

It Really Is Possible For People With Diabetes To Eat Dreamfields Pasta...

Dreamfields has per serving (2 ounces dry or about 1 to 1 1/2 cups cooked):

- **About the same high fiber as whole wheat pasta**
- **Only 5 grams of digestible carbohydrate**
- **65% lower glycemic index** (GI) than traditional pastas
  Dreamfields GI =13
  Traditional pasta GI = 38

All of these qualities translate into a lower blood glucose rise after eating Dreamfields as compared to eating the same amount of traditional white pasta. You can truly have your Dreamfields pasta and enjoy it too...without feeling guilty or compromising blood glucose control.

Learn about our glycemic index testing methodology and results as well as how Dreamfields pasta works.

Want to know how we make Dreamfields Pasta possible to be enjoyed even if you have Diabetes? Click here to learn more about what makes Dreamfields unique!

Carbohydrate: Back to the Basics.

People with pre-diabetes and diabetes pay a lot of attention to carbohydrate because it is the primary determinant of post-meal blood glucose levels. Carbohydrate is one of the three building blocks that make up all the foods you eat. The other two are protein and fat. Whether or not you have diabetes or pre-diabetes, carbohydrate is an important part of a healthy eating plan because carbohydrate-rich foods provide energy, fiber and important vitamins and minerals.

Everybody (even people with pre-diabetes or diabetes) needs to eat some carbohydrate each day. In fact, the average *minimum* daily amount of carbohydrate recommended, or the RDA (Recommended Dietary Allowance), is 130 grams/day.

With only 5 grams of digestible carbohydrate per serving (2 ounces dry or about 1 to 1 1/2 cups cooked), Dreamfields pasta can easily fit into most meal-time carbohydrate goals.*

How Many Carbs Do You Need Daily?

Most women trying to manage blood glucose levels need about 45-60 grams of carbohydrate at each of three meals and 15 grams carbohydrate for snacks as needed. Most men trying to manage blood glucose levels need about 60-75 grams of carbohydrate at each of three meals and 15-30 grams carbohydrate for snacks as needed. The amount that you need depends on your age, weight, activity, and any diabetes medications you may take. Consult with a registered dietitian to discuss how much carbohydrate is right for you at each meal and snack (if snack(s) are needed).

Get this recipe >> Get this recipe >> Get this recipe >>

Diabetes Care Professionals!
Click here to request coupon flyers for your patients or to review our technical resources and papers.

Whether enjoying Dreamfields pasta or other foods, consumers with diabetes must carefully monitor blood glucose and have frequent contact with their physician to maintain good health. To create a healthful eating plan for your individual needs, consult with a qualified health care professional.

Products | Expert Q&A | Diabetes Info | Glossary | Find A Store | Buy Online
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EXHIBIT J

The Glycemic Response to Ingested Dreamfields Pasta Compared With Traditional Pasta

Frank Q. Nuttall, MD, PhD
Mary Carol Gannon, PhD
Heidi Hoover, MS, RD, LD
Jan Thurgood, BS

Objective: Dreamfields pasta is a modified commercially available pasta that is claimed to raise blood glucose much less than standard, unmodified pasta. Our objective was to quantify the blood glucose response to ingested Dreamfields pasta compared with an unmodified pasta.

Research Design and Methods: Using a blinded, randomized, crossover design, 20 subjects without diabetes ingested 50 g carbohydrate in the form of Dreamfields or traditional pasta at 8:00 AM after a 12- to 14-hour overnight fast. The preparation of both pastas was identical. Fingerstick blood glucose was measured before and at 30, 60, 90, 120, 150, and 180 minutes after ingestion of each pasta meal.

Results: The glucose response to ingestion of the 2 pasta products was essentially identical.

Conclusion: The 2 pastas tested had identical taste and mouth feel and resulted in nearly identical blood glucose responses in normal subjects. Nutr Today. 2012;47(5):222–223

Our research group has developed diets we refer to as low biologically available glucose (LoBAG) diets. These diets, in short-term studies (5–10 weeks), result in a decrease in glycated hemoglobin that is similar to or greater than that typically obtained with oral medications in patients with type 2 diabetes.[1–3] The diet is lower in carbohydrate (CHO) and higher in protein and fat than that currently recommended by the American Heart Association[4] and the US Department of Agriculture.[5] It is not ketogenic and does not require weight loss. The diets are designated by the CHO content as a subscript; for example, if the CHO content is 30% of food energy, the diet would be termed as a $LoBAG_{30}$ diet.

In the diets we have designed, pasta and other cereal grain products are limited. That is, we deemphasize starch-containing foods. This is because starch is composed entirely of glucose, and the glucose generally is readily available after digestion. Thus, we were particularly interested in the commercially available Dreamfields pasta. This product is advertised as having a "taste like traditional pasta, but contains twice the fiber, only 5 g of digestible CHO per serving, and has a 65% lower glycemic index (13 vs 38)" (Dreamfields information material at http://www.dreamfieldsfoods.com). Therefore, from our perspective, it could be a useful addition to our LoBAG diet menus.

After numerous attempts to obtain from the company the data upon which a dramatically lower glycemic index than that observed with traditional pasta were based, we decided to conduct our own simple, single-meal study.

In this study, we have compared the glucose response over 3 hours after ingestion of a ~50 g CHO portion of the Dreamfields product with the same dry weight CHO of a traditional commercially available pasta. A blinded randomized crossover design was used.

Four groups of 5 subjects each, that is, 20 total subjects without known diabetes, were recruited for the study. The age range for the group was 29 to 80 years (mean, 56 years). Written informed consent was obtained from all subjects, and the study was approved by the Minneapolis VA Health Care System Internal Review Board.

In the morning after a 12- to 14-hour fast, each subject was served pasta on 2 occasions. On 1 occasion, it was traditional pasta, and on the other occasion, it was the Dreamfields product. The subjects did not know which product they were being served. The study is filed with ClinicalTrials.gov NCT01469104.

Frank Q. Nuttall, MD, PhD, is with the Metabolic Research Laboratory and is professor of medicine, Department of Medicine, University of Minnesota, Minneapolis. He has had a long interest in the dietary management of diabetes, having served as chairman of the Council of Nutritional Sciences and Metabolism for the American Diabetes Association and on the Macronutrient Panel of the Institute of Medicine, National Academy of Sciences.

Mary Carol Gannon, PhD, is director, Metabolic Research Laboratory and Professor, Departments of Medicine and Food Science & Nutrition, University of Minnesota, Minneapolis.

Heidi Hoover, MS, RD, LD, is dietetic internship director, Nutrition and Food Service, VA Medical Center, Minneapolis, Minnesota.

Jan Thurgood, BS, is the clinical data coordinator/laboratory technologist, Metabolic Research Laboratory, VA Medical Center, Minneapolis, Minnesota.

Author contributions: All authors designed the study. Drs Nuttall and Gannon analyzed the data and wrote the manuscript. Mss Hoover and Thurgood recruited the subjects, organized the schedules, helped with the fingerstick glucose determinations, and collated the data. As corresponding author and guarantor of this manuscript, Dr Nuttall takes full responsibility for the work as a whole, including the study design, access to date, and the decision to submit and publish the manuscript. Drs Nuttall and Gannon take responsibility for the contents of the article and funding/financial support.

This study was supported in part by funds from the Department of Veterans Affairs.

The authors have no conflicts of interest to disclose.

Correspondence: Frank Q. Nuttall, MD, PhD, Endocrinology, Metabolism & Nutrition Section, VA Medical Center/University of Minnesota, One Veterans Dr, 111G, Minneapolis, MN 55417 (nutta001@umn.edu).

DOI: 10.1097/NT.0b013e31826c50c6

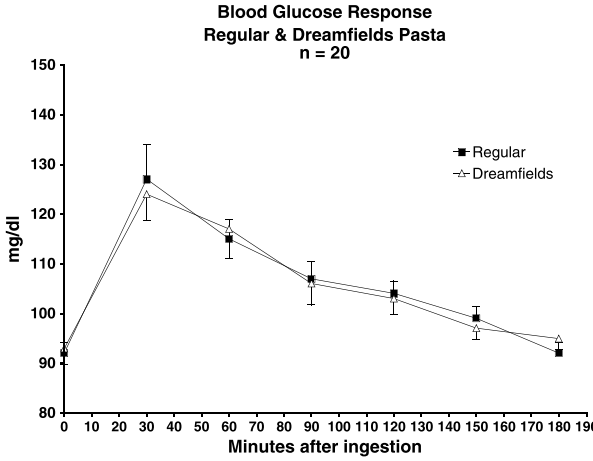


FIGURE. Blood glucose response following ingestion of pasta. n = 20 Subjects.

The Dreamfields pasta package label indicated 41 g CHO/56 g dry pasta. In the traditional (Roseli) penne pasta, the label indicated 42 g CHO/56 g dry pasta. It was calculated that each person received an amount of pasta calculated to equal 51 g CHO for Dreamfields pasta and 52 g CHO for Roseli pasta, based on the package labels. It should be noted that the US Department of Agriculture data indicate 50 g CHO/70 g dry pasta (computer software Nutritionist V; Hearts Corp, San Bruno, California).

The lot numbers of the Dreamfields penne pasta were x2J05, x1J05, and x1J04. The lot numbers of the Roseli penne pasta were 021312X2 27 and 052913X2 (product numbers 3327806 048511 and 3327806 097769).

For each group of 5 subjects, 350 g dry pasta was added to 8 cups of boiling water. Pasta was cooked for 10 minutes with occasional stirring and drained without rinsing. The total weight of the pasta after cooking was 735 g. This was divided into 5 servings of 147 g each and served with salt and pepper.

Fingerstick blood samples were obtained immediately before ingestion of the pasta and subsequently at the time points indicated in the Figure. The same ACCU-CHEK Advantage Meter (Roche NimbleGen Inc, Madison, Wisconsin) was used for all glucose determinations. The glucose response to ingestion of the 2 pastas was essentially identical (Figure).

Using the fasting glucose values as a baseline, the net glucose area responses to the ingested Dreamfields pasta and the Roseli pasta were 1648 ± 51 and 1655 ± 50 mg·min per deciliter, respectively.

Although we have compared Dreamfields pasta to only one other brand of pasta, we have no reason to believe that the glucose response to Roseli pasta is different from any other commercially available regular pasta.

Regarding taste, as well as mouth feel, our results confirmed the Dreamfields company claim. All subjects agreed that they could not detect a difference between the Dreamfields product and the traditional pasta. Both were considered to be highly acceptable.

In summary, in people without diabetes, the Dreamfields pasta product we purchased did not result in an improved glucose excursion when compared with a commercially available traditional pasta product as would have been expected based on the company's claim. We suggest that the company publish primary data confirming their advertised claims and the implied benefit for blood glucose control in people with diabetes.

It should be noted that we do not have data regarding the glucose response in people with type 2 diabetes. However, there is no reason to believe that a difference between the 2 pastas would be observed in this population.

Acknowledgments

The authors are grateful to the subjects for volunteering for the study and to Mrs Cindy Maghrak from Food Service Department from the Minneapolis VA Health Care System for her meticulous preparation of the pasta.

REFERENCES

1. Gannon MC, Nuttall FQ. Effect of a high-protein, low-carbohydrate diet on blood glucose control in people with type 2 diabetes. *Diabetes*. 2004;53(9):2375–2382.
2. Nuttall FQ, Schweim K, Hoover H, Gannon MC. Effect of the $LoBAG_{30}$ diet on blood glucose control in people with type 2 diabetes. *Br J Nutr*. 2008;99(3):511–519.
3. Gannon MC, Hoover H, Nuttall FQ. Further decrease in glycated hemoglobin following ingestion of a $LoBAG_{30}$ diet for 10 weeks compared to 5 weeks in people with untreated type 2 diabetes. *Nutr Metab (Lond)*. 2010;7(64):1–17. doi: 10:1186/1743-7075-7-64.
4. American Heart Association. Dietary Guidelines for Healthy American Adults. Statement for physicians and health professionals by the Nutrition Committee. *Circulation*. 1986;74(6):1465A–1468A.
5. US Department of Agriculture. *Nutrition and Your Health: Dietary Guidelines for Americans*. Washington, DC: US Printing Office; 1995.

Exhibit K

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

JOSEPH MIRAKAY, LOUIS MESSINA, MICHAEL ELEFTERAKIS & JOHN GEMBINSKI, on behalf of themselves and others similarly situated,	)	
Plaintiffs,	)	Case No. _____
vs.	)	
DAKOTA GROWERS PASTA COMPANY, INC.; GLENCORE XSTRATA; and VITERRA, INC	)	
Defendants.	)	

DECLARATION OF DAVID A. LEVITSKY, PH.D.

David A. Levitsky, Ph.D. declares, pursuant to 28 U.S.C. § 1746:

1. I am a professor of nutritional sciences and psychology at Cornell University in Ithaca, New York. I received my Ph.D. in 1968 from Rutgers University have taught at Cornell in the capacities of assistant professor, associate professor, and professor since 1970.
2. As an expert in nutritional science and experimental psychology, I have authored more than 100 peer-reviewed articles, numerous book chapters, and two books.
3. Additionally, I have served as a consultant to the Federal Trade Commission as an expert on weight loss claims since 1997 and as a scientific advisor to the Culinary Institute of America since 2010.
4. I have reviewed the claims on Dreamfields pasta packaging and the June 10, 2011 Dreamfields' press release reporting the results of their unpublished study purportedly supporting these claims.
5. In my opinion, the claims that a serving of Dreamfields pasta contains only "5 grams of digestible" carbohydrates per serving, has a "65% lower glycemic index" than regular pasta and that Dreamfields pasta helps control blood sugar levels are each false. Such representations contradict basic physiology.
    a. For Dreamfields pasta to contain only five grams of digestible carbohydrates per serving, nearly 88% of the 41 grams of carbohydrates in each serving would have to pass though the gastro-intestinal tract undigested.
    b. Prescription alpha-glucosidase inhibitors approved by the FDA for the treatment of diabetes cannot block the digestion of 88% of carbohydrates.
    c. Accordingly, Dreamfields is representing that their products out-perform the best available prescription alpha-glucosidase inhibitors.

d. If Dreamfields had engineered their pasta in such a manner to prevent the digestion of all but five grams of carbohydrates per serving, it would produce numerous unpleasant side effects among consumers, including abdominal pain, excessive flatulence, and diarrhea. I am not aware of any such complaints regarding Dreamfields pasta which leads me to believe that the digestible carbohydrates in their pasta are considerably higher than 5 grams per serving.

e. I understand that Dreamfields claims their manufacturing process creates a web or film of natural fibers (pectin, xanthan gum and inulin) and wheat proteins that protects the carbohydrates in the pasta from absorbing water when cooked and that this process supposedly protects most of the carbohydrates from being digested. If, in fact, this were true, Dreamfields pasta would not behave like traditional pasta. If you coat the carbohydrate granules, it could block absorption, but it's not going to act like a carbohydrate anymore. The property of starch, the chewy consistency, should also be altered. It should also block its interaction with enzymes in the GI tract, and it should take longer to cook.

f. To the extent Dreamfields pasta is digested any differently than other pastas, it may be digested at a slower pace, which does not affect the total carbohydrates eventually digested or long-run blood sugar levels.

6. Additionally, there are numerous flaws with the unpublished study described in the June 10, 2011Dreamfield's press release. For example:

a. The sample size is exceedingly small, with only eight subjects.

b. The study was "single-blinded," creating the possibility of bias.

c. Subjects received only half a serving of pasta.

d. Blood sugar levels after 120 minutes are not reported. Notably, at 120 minutes blood sugar levels were lower among the control group than the experimental group, indicating that Dreamfields pasta may be digested more slowly, but elevate blood sugar levels for a longer time period than traditional pasta.

7. The appropriate study to evaluate whether most of the carbohydrates in Dreamfields pasta are undigested would be a fecal balance test to determine the amount of carbohydrates that passed through the gastro-intestinal tract undigested in comparison to the amount consumed. Dreamfields does not offer such a study.

8. I am aware of a published study conducted by Frank Q. Nuttall et al. testing the blood sugar responses of subjects who ate Dreamfields pasta. They found no blood sugar level differences following the consumption of Dreamfields versus traditional pasta.

9. This indicates to me that Dreamfields pasta has substantially more than 5 grams of digestible carbohydrates per serving. Considering the similarity of the blood sugar response curves between regular pasta and Dreamfields pasta, I expect Dreamfields has closer to 40 grams of digestible carbohydrates, roughly the same amount as regular pasta. The results also lead me believe that Dreamfields pasta has a glycemic index similar to regular pasta, and certainly not a 65% lower glycemic index than regular pasta.

10. For the foregoing reasons, it is my opinion that the representations on Dreamfields pasta packaging relating to net digestible carbohydrates, a lower glycemic index, and the ability to control blood sugar levels are false.

I declare, under penalty of perjury pursuant to the laws of the United States, that the foregoing is true and correct.

Executed this 22 day of July, 2013 in Ithaca, New York.

David A. Levitsky

EXHIBIT L

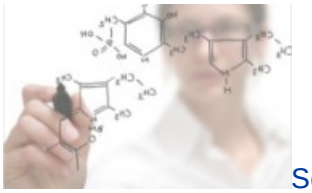
DietDoctor

REAL FOOD for your HEALTH

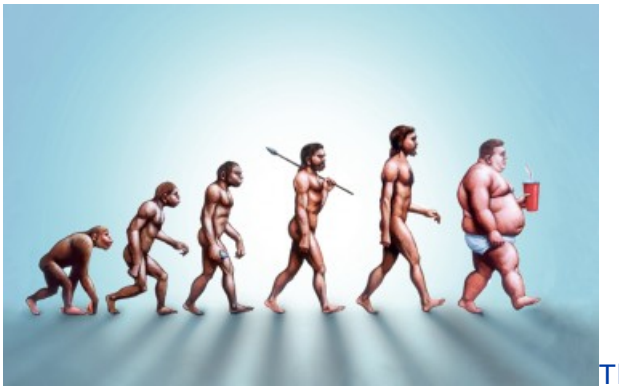
- Health & Weight Loss
  - 
    LCHF for Beginners

    Do you want to lose weight without hunger? Normalize your blood sugar? Improve your health? Everything you need to know about LCHF for free.

- 

How to Lose Weight
- 
FAQ about LCHF
- 
Science and Low Carb / Paleo
- 

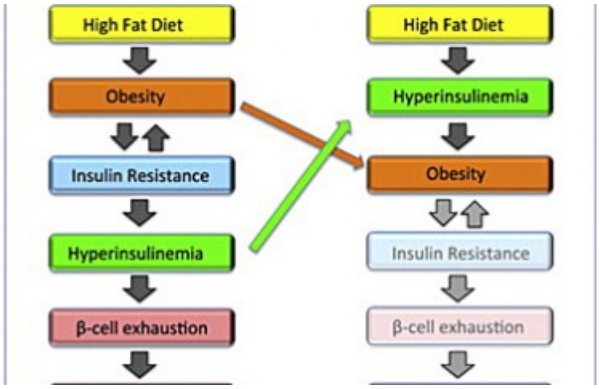
Health Problems

- Video
  - 
The Food Revolution

    Do you want to lose weight and gain health? Here's how to do it without hunger, the natural way.

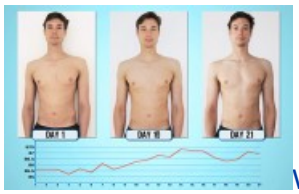
  - 
Low Carb Paleo

- 
  Why We Get Fat
- 
  The Cause of Obesity
- 
  Low Carb Explained
- 
  Low Carb Living
- 
  The Paleo Diet Explained

- Topics
  - Weight Loss
    - 

      It's the Insulin, Stupid

      Is too much insulin the cause of common obesity? Yes, most likely. Here's another embarrassing high-profile study for all insulin…

- 
  What Happens If You Eat 5,800 Calories Daily on an LCHF Diet?
- 
  A New Toy Measuring Blood Ketones
- 
  Lose Weight by Cutting Down on Dairy Products and Nuts
- 

  Paleo Wars at AHS!

- Food
  - 
    Butter has an Undeserved Bad Reputation, According to New Analysis

    Another new review of the scientific literature finds that saturated fat (like butter) has an undeserved bad reputation. There's no…

- 

Are Low-Carb Zealots Close-Minded?
- 
The New York Soda Battle Rages On
- 
Dr McDougall in Shocking Vegan Interview
- 

Is There Such a Thing As Good Sugar?

o Health problems

- 
Is Stevia Natural?

Stevia is a non-caloric sweetener that is relatively new on the international market. It originates in the leaves of a...

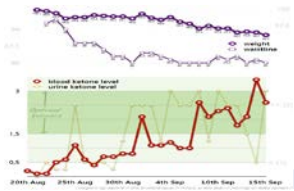
- 
A Calorie Is Not a Calorie

- 
CBN: Using a Ketogenic Diet to Starve Cancer
- 
Should You Take Drugs for Mildly Elevated Blood Pressure?
- 
The Doctor Asked: “What Have You Done?”

o Exercise

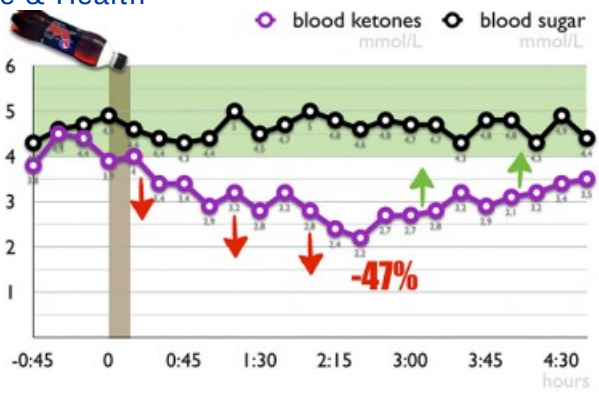
- 
The Official Disease of the 2012 London Olympics!

  The sponsors for the 2012 London Olympics have been presented, to quite a bit of controversy. Here are a few…

- 
Four Weeks of Strict LCHF and Ketone Monitoring

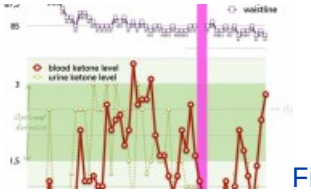
- 
  Legendary Exercise Professor Embraces LCHF!
- 
  Very Low Carb Performance with Peter Attia
- 
  Does Exercise Promote Weight Loss?

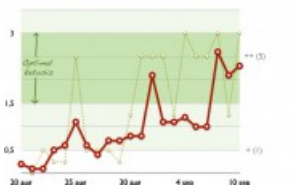
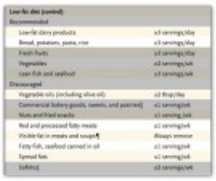
o Science & Health

- 

  Is Pepsi Max Bad For Your Weight?

  Can artificial sweeteners from diet sodas affect your weight? My six hour experiment the other day implies that the answer…

- 
  Final Report: Two Months of Strict LCHF and Ketone Monitoring

- 
  Experiment: Optimal Ketosis for Weight Loss and Improved Performance
- 
  What the Dangerous Low-Fat Diet Looked Like
- 
  Why Calorie Counters are Confused

o Supplements

- 
  How to Improve Your Memory With Omega-3

  This is pretty cool. A well-designed study just showed that supplementing omega-3 – one gram of DHA per day –...

- 
  Spectacular Study on Heart Failure and the Supplement CoQ10

-  Vitamin D Protects Against MS
-  Lose Weight by Supplementing Vitamins and Minerals
-  Vitamin D Can Help People With Parkinson's Disease

o Other topics

- 

More and More Visits to DietDoctor.com

  Wow. More and more people are being told about this site. The number of visits are increasing every week and…

-  Klara Celebrates Her First Birthday!
-  A Happy Little Meat-Eater

-  A Food Revolution in South Africa
-  Evolution in Action
- NEW

The Dreamfields Pasta Fraud

May 19 2011 11:56 in Crazy ways to lose weight, Fake Low Carb Products

Dreamfields pasta is promoted as a low carb product. But it's made from durum wheat and it tastes great. Actually, it looks, feels and tastes just like… regular pasta.

Now, regular pasta is anything but low carb. It's mostly starch, which turns into glucose in the gut and is absorbed as blood sugar. Exactly what low carbers try to avoid. Dreamfields pasta has 41 grams of carbs per serving. How can that be *low* carb?

Well, Dreamfields claim that their "patent-pending" (since 2004) recipe and manufacturing process protects the carb from being digested.

It sounds fantastic. But is it true? I decided to find out and the results were shocking.

A beautiful tale

Can you be a low carber and eat all the pasta you want? Can you have your (low carb) cake and eat it too?

It sounds too good to be true, and two questions pop up:

- *If their "patent-pending" manufacturing really made the starch indigestible, would that not affect the taste? (It's great).*
- *If the starch really became indigestible, should it not end up being digested by bacteria in the large intestine, causing massive flatulence? (It does not).*

Now it's time for answers.

The package

Here's my package of Dreamfields pasta, bought in a "low carb" store.

Let's take a closer look.

Big promises

Basically the idea is that the carbs will pass straight through your body:


IBLE CARBS
OODS
to help control blood sugar.
ombined with regular exercise and a
regular pasta.
and supports your weight
Good Housekeeping
Promises
CARB FACTS
TOTAL CARBS 41
FIBER -5
PROTECTED CARBS -31
DIGESTIBLE CARBS 5
Like other premium pastas, Dreamfields is made from durum wheat semolina, which is why it tastes great. However, Dreamfields' patent pending formula and unique manufacturing process creates a matrix within the pasta, protecting 31 grams of carbohydrates from being digested.
Learn more about Dreamfields Pasta, our money back guarantee, and find delicious recipes at: www.DreamfieldsFoods.com or call 1-800-250-1917.

Side

There you have it: 36 grams of non-fiber carbs per 56 gram serving. It adds up to about 80 percent energy from carbs. That's about as *high* carb a food as you could find.

Of course – most of it is supposedly indigestible.

I tested the pasta myself, eating it and testing my blood sugar 21 times. We'll get to the test shortly.

A good idea?

It may sound too good to be true. But even if it *was* true, consider if it really is a good idea for the future.

Should the food industry manufacture food that our bodies can't absorb? Do we really need to chew food that doesn't make us satiated, food that gives us no energy, food that isn't real food?

Is it environmentally sound to grow wheat and then chemically modify it so that it loses its nutritional value, manufacture pasta, transport it, sell it, cook it and then sit down to eat it, all of that to create some extra poop?

(Not to mention all the gas it would result in)

That's an interesting philosophical question. But let's leave it and find out if Dreamfields pasta works.

Real low carb food

First some real low carb food to get some perspective. Here is a common meal in my home:

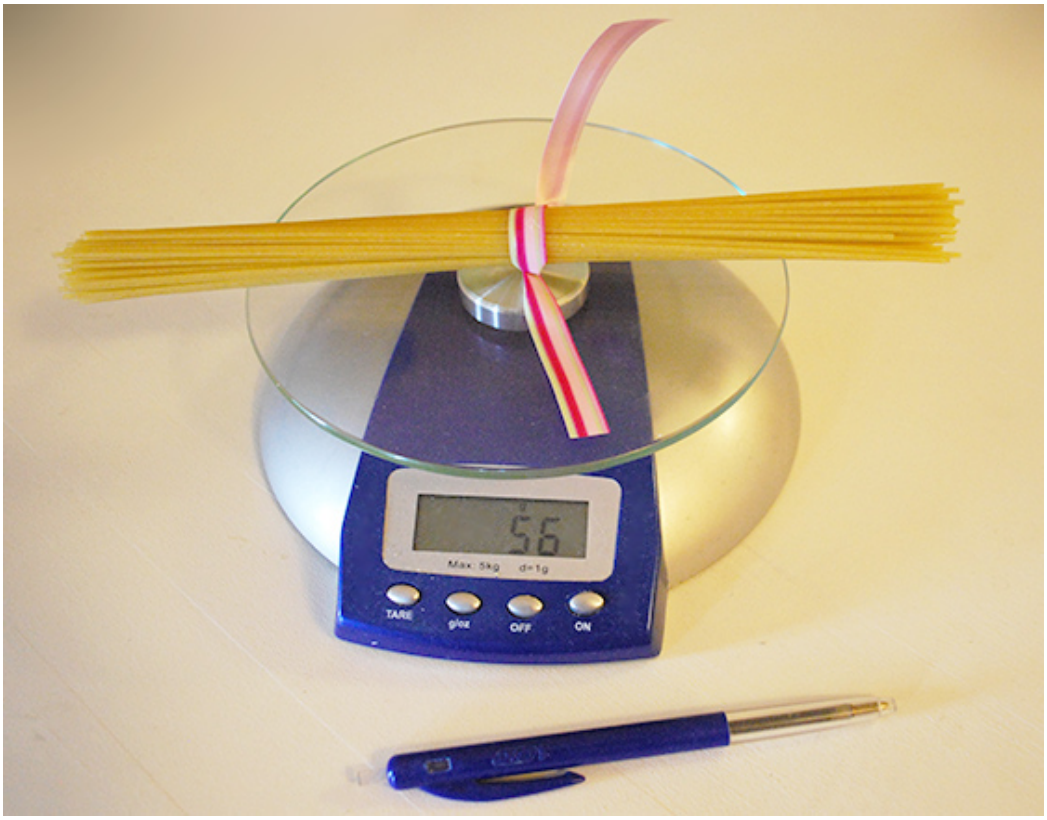
A steak, Béarnaise sauce and a pile of vegetables fried in butter. Possibly a glass of red wine. The result is long-lasting satiety and well-being.

A meal like this contains a few grams of carbs – perhaps five.

The result on my blood sugar? Hardly any at all. It usually stays at fasting levels, between 86 and 94. If you don't eat anything that turns to sugar your blood sugar stays the same. Very logical.

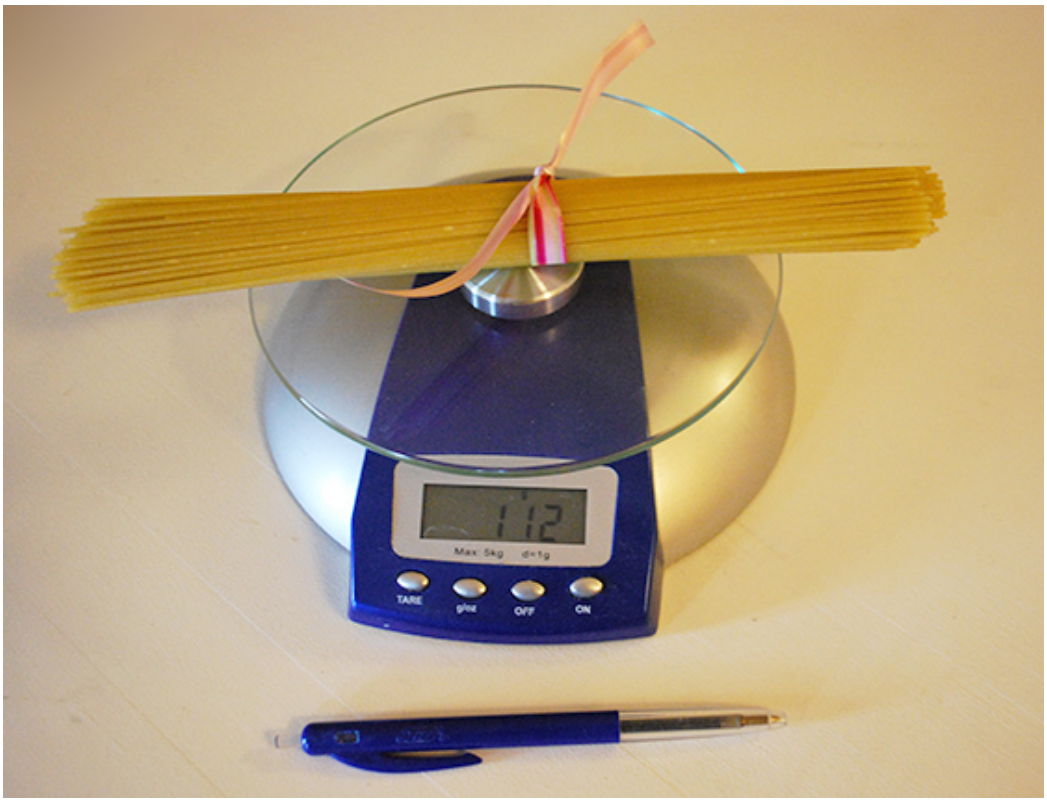
The test

Now let's test the Dreamfields pasta:



Here is one serving according to Dreamfields, 56 grams. It's not a lot of food for someone who is 6'7" (me).

I had two servings:



These 112 grams of pasta contains 72 grams of starch and sugars according to the Nutrition Facts. But according to Dreamfields only 10 grams are absorbed.

After cooking

After boiling (according to instructions, exactly 9 minutes) it turned into a decent portion. About the amount I used to eat when I ate pasta.

I had the pasta without any other food, with a glass of water. It tasted fine, about the way pasta usually tastes.

The result

It didn't start out too bad. My blood sugar did quickly rise to 108, but then it looked as if it was stabilizing. I was impressed, it didn't look too bad.

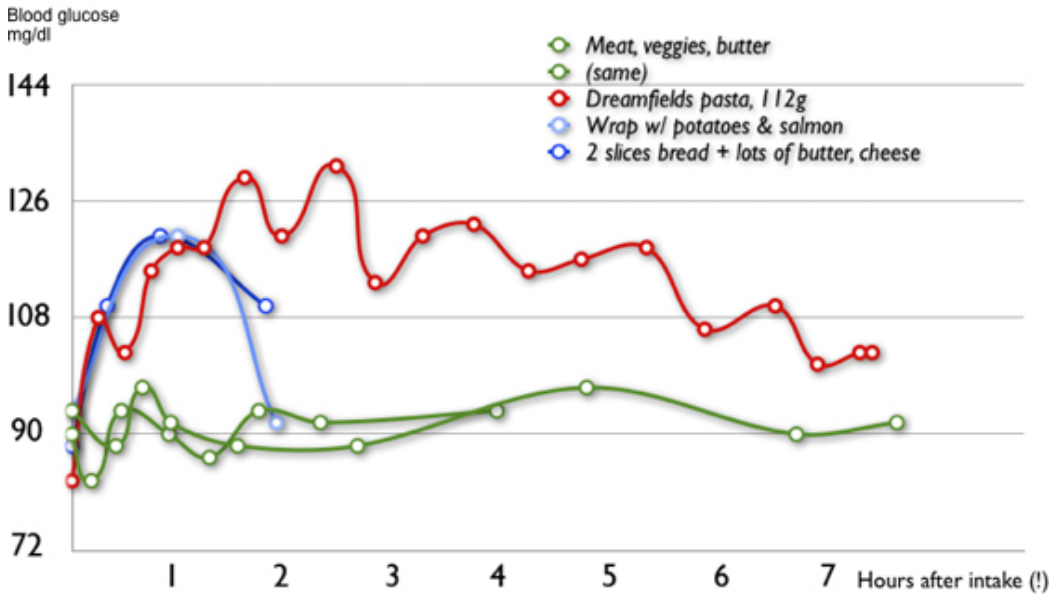
But that was just the beginning. Then came a mountain of blood sugar. After two and a half hours the blood sugar was still as high as 131!

It turned into a long evening. I tested my blood sugar every 20 minutes and hoped that it would go down so I could have a real dinner. Weirdly enough I felt hungry at the same time as my blood sugar was high. Perhaps some other nutrient was missing in my blood giving me feelings of hunger. Protein? Fat?

I had no other food until the experiment was completed. After seven and a half hours (!) I gave up, even though the blood sugar was still a bit higher than normal. I ate some real food and went to bed.

Here are five different blood sugar curves to compare.

- The green ones are big low carb dinners
- The blue ones are "exceptions" with more carbs
- The red is the fake low carb pasta



Verdict: Not low carb

The Dreamfields pasta contain slow carbs. Perhaps it's OK to call it low glycemic index carbs. But it's not low carb. It's the opposite, it's almost pure carbs. It's absorbed slowly, but most (if not all) of the starch is absorbed.

There is no way only ten grams of carbs spiked my blood sugar for seven hours. I have eaten more than that with just minor effects (see above).

Dreamfields' marketing claims are not true. Dreamfields are sabotaging the weight loss of low carbers just to sell more of their pasta.

Unless, perhaps, I'm a weird exception. Does it work for everybody else but not for me?

The real test

I did the test above last year, for my Swedish blog. I was convinced that Dreamfields pasta was a fraud.

This year Dreamfields pasta was tested more rigorously and the result was published in a trustworthy scientific journal called Diabetes Care:

DiabetesCare

ONLINE LETTERS

OBSERVATIONS

Glycemic Response to Ingested Dreamfields Pasta Compared With Traditional Pasta

Our research group has developed diets we refer to as Low Biologically Available Glucose (LoBAG) diets. These diets, in short-term studies (5–10 weeks), result in a decrease in glycated hemoglobin that is similar to or greater than that typically obtained with oral medications in patients with type 2 dia-

pasta. A crossover design was used. Two groups of five subjects each, i.e., 10 subjects total without known diabetes, were recruited for the study. They were not aware of which pasta product was being served. Regarding taste as well as mouth feel, our results confirmed the Dreamfields company claim. All subjects agreed that they could not detect a difference between the Dreamfields product and the traditional pasta. Both were considered to be highly acceptable. When the first five subjects were studied using the same cooking method for both products, the Dreamfields pasta did not result in a smaller glucose rise.

To our surprise the mean postmeal glucose curves were essentially identical. Therefore, we studied five different subjects. The result was the same; that is, the curves were essentially identical (Fig. 1). In 10 people without diabetes, the Dreamfields pasta product we purchased did not result in an improved glucose excursion when compared with a commercially available traditional pasta product as would have been expected based upon the company's claim. Because we did not test several different batches of Dreamfields pasta or other commercially available pasta products for comparison, it is possible that

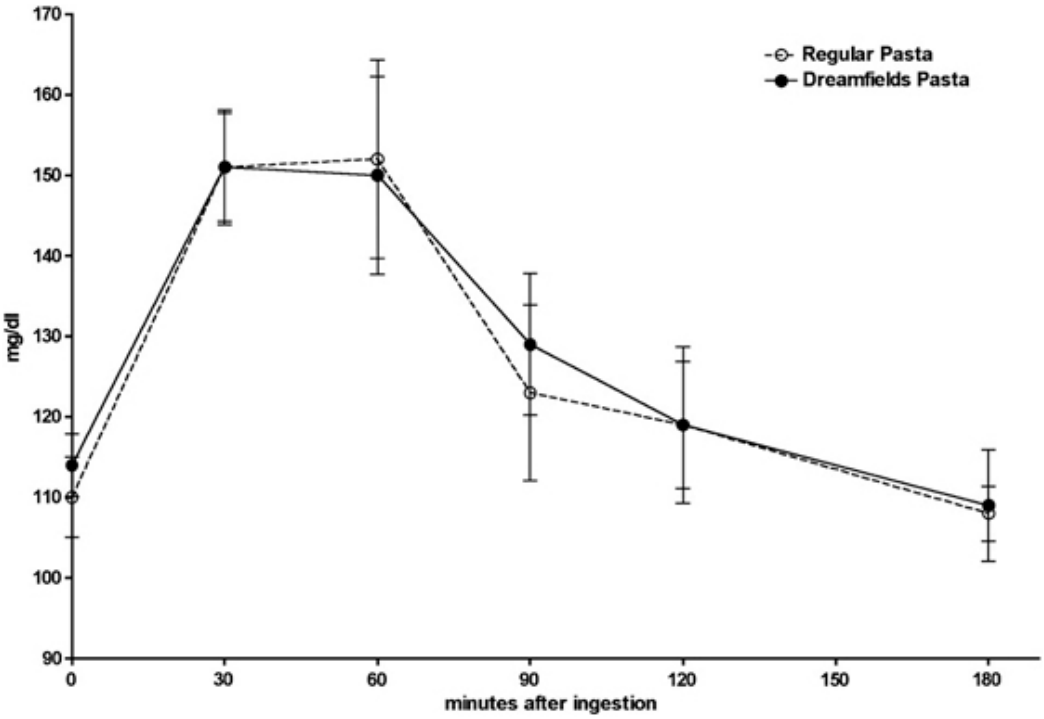
Regular Pasta
Dreamfields Pasta

The main authors of the article are Frank C. Nuttal, PhD, and Mary C. Gannon, PhD. They have previously studied the effects of low carb diets, so they were surprised by Dreamfields' claims that pasta can be low carb.

After “numerous attempts” to have a look at the data that Dreamfields base their claims on (not allowed) the researchers decided to test it themselves.

Five participants ate the Dreamfields pasta (50g CHO) and tested their blood sugar. Then they ate the same amount of regular pasta and tested their blood sugar for comparison.

The result



Pretty shockingly the results on the blood sugar were just the same with Dreamfields’ and regular pasta. No difference!

The researchers were surprised so they recruited five new participants and did the test again. The result were **the same once again** – no perceptible difference.

The scientific article can be read for free here:

- *Nuttall, FQ, et al. Glycemic response to ingested dreamfields pasta compared with traditional pasta. Diabetes Care. 2011 Feb;34(2):e17-8.*

The Dreamfields Pasta Fraud

Dreamfields have been selling their fake low carb pasta since january 2004. It's quite popular. There is no way to know how many people have failed to lose weight because of it, concluding that "low carb does not work".

Low carb usually works just fine. But not if you eat a lot of pasta.

I'm willing to bet any amount of money that Dreamfields pasta is just the tip of the iceberg. Low carb in America has turned into special low carb pasta, low carb ice cream, low carb bread and low carb chocolate bars. And it's mostly just marketing hype. There is nothing low carb about this junk food:

Real healthy low carb food is meat, fish, vegetables and butter, ideally from your local farmer. Dreamfields and companies like them have turned "Low Carb" into a joke, just to make money.

Obese people who trust them just gain weight. But diabetics spike their blood sugar and may end up amputating their feet and becoming blind.

There are a few possible explanations. Either Dreamfields and others like them are ignorant, evil or just plain greedy. Probably greed is the most likely explanation. Also, they probably think that consumers are stupid. But they are wrong about that.

The pasta fraud is revealed.

You can help your friends. If they eat fake low carb products and have trouble losing weight, chances are that's why.

Spread the word. Let's make low carb work again. Real low carb.

Continued...

Moore on Dreamfieldsgate – Interview with the Pasta President and even more evidence that Dreamfields pasta is just like any pasta: high carb.

Spreading the truth

Go to Dreamfields' Facebook page and like the link to this post*. Let's spread the truth to all of the 29 000 members. Dreamfields have gotten away with fooling overweight people and diabetics long enough.

*/ You have to like Dreamfields first, but then you can easily "unlike" it again: bottom left side of the page.

Of course you can spread this info via your Facebook, Twitter and blog too if you'd like. Feel free to copy any part of it. If you link to this post it will appear higher in the results when people search for "Dreamfields pasta" on Google. It's already #14 or so. Spread the word so that fewer diabetics and others are hurt by these fraudulent marketing claims.

More

LCHF for beginners

Why Americans are obese

Why Americans are obese, part 2

Eating LCHF in America

How to cure type 2 diabetes

More

How Animals Eat Their Food 13

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In Search of the Perfect Human Diet

Dreamfields' Pasta Fraud post going viral?

1 2 3 4

190 Comments

1. 151

Julia

October 16 2012 17:20

Hi Andreas,

like your web site and wrote about the pasta fraud on my own blog. Did you know that they had to withdraw their paper?
http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3161253/
I suppose the company has some pretty important friends. Just wanted to let you know. By the way, did you made experiments with erythritol in sweden known as (Sukrin or Sötin) or Stevia? I'm living in Göteborg at the moment and these two sweeteners are very popular in the LCHF community.
hej då
Julia

2. 152

Dirk

November 14 2012 23:58

I've been eating dreamfields while on a low carb diet. I lost thirty-five pounds and have dreamfields once a week at least and have not gained back a pound. Try that with any other brand.

3. 153

Gaboman

December 1 2012 16:24

One simple question - if your body isn't digesting all those carbs in Dreamfields pasta, where do the 190 calories per serving come from? The cooking water?

4. 154

Anthony Wood

December 3 2012 17:16

I am a type II diabetic, and the only reason I am, is because I am overweight. Having diabetes for so long has severely damaged the nerves in my body. My neuropathy in my feet, legs, arms, and other parts of my body is excruciatingly painful. I had to give up almost completely on pasta, until DF came along. I did some rather extensive record keeping on my diabetes for several months, during which time I ate both types of pasta. I found that my neuropathy pain level is not tied to what my blood sugar level is at the time. I can can have a blood sugar over 200 and have no pain, or one of 70 and have lots of pain. I

discovered the pain level often times had a direct correlation to the rate of change of my blood sugar. I used a lot of strips during this time, testing my blood sugar every 15 mins for a few hours after I ate. If it went up too quickly or even fell to quickly, I got lots of pain. In other word, it is best to keep that up and done curve like a smooth sine wave (don't upset the apple cart.)
So here is where the DF pasta has helped. I noticed when that given equal portions, the DF pasta kept my blood sugar from going up too fast, thus less pain. With regular pasta, by blood sugar would go up much faster and cause a lot more pain. I started keeping records of the Gylcemic Load of the food I eat. DF pasta seems to have a much lower GL.

5. 155

Jason

December 4 2012 4:01

First, you are basing your assumption that blood sugar increase is a direct reflection of carb intake and nothing else. The body always has a store of glycogen that can be converted to glucose. In order to truly test a blood sugar increase, you need to take a measured amount glucose tablet and measure blood sugar increase. The increase in blood sugar divided by the tablet amount gives you a carbohydrate ratio.
What I repeatedly hear is that many type II diabetic people eat Dreamfields pasta and note no significant increase in blood sugar. This is a more true test of the pasta's carbohydrate content than on a non-diabetic individual. In medical research your test would have zero significance. The study population is so small that the results don't tell you if Dreamfields is factual or not. Any test you perform should only give you one result.....it requires more research to come up with an answer.

6. Reply to comment #110 by Margaret

156

amy

December 7 2012 10:47

Very well said! Margaret You say your not a diabetic expert but you sure sound like it! I have consulted with 3 diabetic experts and they agree if YOU MUST have pasta on occasion THIS IS THE PASTA FOR YOU! I have gestational diabetes and

i tried eating tiny portions of regular pasta and my sugar would SPIKE! their is a difference between Spiking and slower to process foods. This is a slow process food which MUST (just like any other carb) be consumed with protein according to all 3 experts/doctors. You shouldn't eat this every day and definitely stick to one portion along with protein your veggies etc.
Of course it's not all digestible lots of foods including natural foods have many things that aren't digestible and your body sends it as waste.
My perfect once a week or every other week includes ONE portion of this pasta at dinner time with some home made meat balls a tiny bit of spaghetti sauce along with a very big veggie salad with olive oil. It's delicious and my blood sugar after 1hr is under 130...if it was regular pasta in the same amount it would be 150-160

7. 157

Bianca

December 26 2012 14:41

I been using this pasta for many years .. Even in the induction phase of low carb .. I've had no problem. One serving is 5 net carbs , with induction you are to keep your carbs 0-20 per day .. It's simple just count carbs ..
I lost 12 lbs the first week eating dream fields at least 4 days out of seven .
Adding cheeze cheddar for Mac ..with cream n milk .
I also had made shrimp Parmesan with cream ...
Had no problems ...
My doctor has said it's a excellent source of fiber ...
Don't listen to one crazy lady who wants attention knocking this product ..
It's great it works and its healthy ..

8. 158

Nascar

January 7 19:48

WOW. It appears the only way to really know if this is working or not is to try it and test yourself.

9. 159

Zepp

January 7 20:47

I think Viktorias conclusions from 2008 stand this day!
http://www.youtube.com/watch?v=YkStVTKGb7g

10.160

Nick

January 7 23:13

I have lost a total of 120 pounds on the low carb diet and I must say that this article's hastiness to label it a fraud is very irresponsible! If not for this pasta I probably would have had a way tougher time on this diet. My favorite recipe is making the angel hair pasta with olive oil, shrimp, salt, pepper, lime juice, jalapeno and some cayenne pepper. Served cold! Thank you dreamfields!!

11.161

Dina

January 11 13:29

Just want to add my two cents: My father is diabetic and my mother and I eat low-carb to keep weight off. Dreamfields is the only pasta we can eat and not get the negative effects of regular pasta. We keep the portion size close to the recommended amount, but add vegetables and things like chicken, seafood or turkey sausage for a full meal. We also usually start with a salad that might have some cheese mixed. I don't think Dreamfields is a miracle food, but it's been a sanity saver in our family.

12.162

Marsha

January 15 6:46

Just discovered Dreamfield pasta...Type II diabetic and it works for me---at last a pasta that I can enjoy :)

13.163

Gillian

January 18 3:56

I have made Dreamfields Pasta twice, both times I have suffered terrible gas and crampy stomach. I think I'll go back to avoiding pasta.

14.164

Janet

January 22 7:25

I see the pasta in the waste. It is definitely being passed.

15.165

Honora

January 22 17:03

The "test" was not true.. anyone who has diabetes knows that when you eat carbs, you are supposed to counter-balance them with protein. No wonder "the doctor's" sugar went up ... he ate it plain. If you had some meatballs with it that would have helped the sugar spike. Always have carbs with protein - could be fish, chicken, whatever protein - but it's not good to eat just pasta.

16.166

Rob

January 31 20:04

Poor Dietdoctor,
After I saw all these comments I see the futility in educating donkeys.
That's why all these scammers prosper, people are stupid!
All the best in your fight against the windmills....

17.167

Bliss

February 1 22:45

I am a type 2 diabetic. I switched to DF about 3 years ago and it has been nothing but good news for me. I eat healthy foods that include DF and my A1C is way below 7.0 right where it should be. I never have negative readings after eating DF. For one thing you arent supposed to test your blood right after you eat, you should wait at least 2 hours to give your body time to digest it and your sugar to regulate. ALL food can raise your readings simply because the body has to deal with the food. If you test at the right time you will get a more accurate reading.

18.168

Diane

February 25 19:29

I own a weight loss clinic. This information was VERY helpful.

19.169

Melissa

February 26 7:18

My hubby is a juvenile diabetic and his doctor said unless you ARE a diabetic, you can't run these tests. Your blood sugar doesn't react the same. Yours may text differently because you're sitting around, not moving, etc. you cannot pass this off as false info when so many diabetics and clean eating people have proof it works. My hubby and I are those people. DF is the ONLY pasta he can eat and cannot put more than a couple units of insulin in. If he eats regular pasta, even wheat, he's sick as a dog with high blood sugar. I have insulin resistance (due to PCOS) and this is the only pasta I can eat and not get sick to my stomach. Try again, but your facts are not correct.

20.170

CHEF FRANCO!

February 28 21:37

WHERE IS OUR GOVERNMENT! IN ALL THIS FRAUD!!!! AMERICAN HAS BECAME A, COUNTRY OF BULL SHIT ! CAN'NT TRUST ANY ONE IN THIS MONEY GREEDY LYING COUNTRY OF YOUR'S! I'AM GOING BACK TO COSTA RICA WHERE THE PEOPLE ARE DECENT AND THE COUNTRY IS MOST BEAUTIFUL !AND THE FOOD IS REAL!!

21.171

CHEF FRANCO!

February 28 21:40

GOOD BY AMERICA ! YOU CAN KEEP IT ! AND ALL THE LIE'S THAT COME WITH IT!

22.172

CHEF FRANCO!

March 1 0:08

PEOPLE LIVING IN OAKPARK, IL , IF YOU EVER, NEED TO GO TO THE HOSPITAL , WARNING WHAT EVER YOU DO ! DO,NOT ! DO NOT ! EVER GO TO WEST SUBURBAN HOSPITAL ! IN OALPARK,IL, TOTALLY UN, PROFESSIONAL! THE

DR,'S AND THE STAFF ! HAVE NO CLASS !
ITS A, 3RD, WORLD HOSPITAL ! WITH A, 3RD WORLD MORON'S ! ITS ALL POLITICAL!
THE DR'S DO'NT EVEN GREED YOU AS THERE PATIENTS ! THEY THINK THERE SHIT IS ICE CREAM! ALL THEY ARE CONCERN ABOUT IS THERE PAYMENT FOR SHIT SEVICE!
AS A, MATTER OF FACT STAY AWAY FROM BULL SHIT, WINDY BLOW IT OUT OF YOUR ASS CHICAGO! ALL TOGETHER! THE KING OF PHONIE ,BULL SHIT! THATS CHICAGO FOR YOU !

23.173

CJ Johnson

March 3 2:48

Thank you for this article. I always feel "off" after having dreamfield's pasta. I feel like the carb cravings which are mostly gone bug me for a few days, I feel bloated. I think I understand why now. I'm amazed at the people who are mad at you for posting this. I suspect they have severe carb cravings (caused by never truly completing a carb cleanse like Atkins Induction).

24. Reply to comment #7 by Doc

174

Clancy

March 11 0:08

Im a bit perplexed reading your article and other readers whom have tried DF and are diabetics whom claim their blood sugar seemed fine, more so than not. I also agree that the public needs to see studies with much larger sample sizes with those with diabetes and those without.
Its a bit premature to claim that DF's product is a fraud.

25.175

Zepp

March 11 13:15

http://www.youtube.com/watch?v=YkStVTKGb7g

26.176

Nazila

March 12 21:19

how about Shiritaki noodles...they are supposed to be low in carb and calories...what do you think of those as pasta substitute?

27.177

Zepp

March 12 21:37

I eat them self some times a year.. mostly becuse my mother want some nudels som times!
Quite a lot of money for water and fibers.

28.178

Mark

March 17 21:38

Eat a paleo diet and you won't need to worry about this debate and your diabetes and general health will thank you many times over.
Mark

29.179

Susan b

March 19 2:57

We just tried the pasta, elbow noodles. I made it very plain. Celery, tuna and Hellman mayo real fat. My husband of 20 yrs not belching, even did a second helping,,no sound. The next day I asked him did you have problems thru the night? No. (I can sleep like log). He really liked it and he did not do the "extra sweet treats of mm's Or even nuts after dinner. I will do this pasta again, as I did add more Veggies the 2nd day into the salad to eat!. I cooked it just like it said. I don't like GMO stuff, and couldn't find this as a product in that category. Correct me if I am wrong in knowing that info. Otherwise, I will have this again. My husband and I are not diabetic, FYI. He didn't have problems with his "delicate constitution" believe me that is a big, BIG deal!

30.180

Beverly

March 28 21:48

I just tried the DF pasta (elbow) to make low carb mac & cheese with cauliflower and applewood bacon. Usually, regular pasta, Barilla, which tastes great always makes me bloated and gassy. I did not experience gas and bloating after eating this meal. As another commenter mentioned, the blog poster ate two servings without any protein or veggies??? And if you look at his graph comparing other "meals" he unfairly compares other meals that all included protein and veggies. So who is the fraud here. Most people do not eat this way (plain plate of pasta). At least not conscientious people. It was like he was encouraging his body to have the maximum reaction. I was so shocked to see it touted as a fraud. I didn't swell up, and I waited for this reaction, but we will have to see if I continue to lose having this pasta once or twice a week while in induction phase of low carb diet. Moderation is the key to life. If not for a pasta like this, I eat gluten free pastas as I don't have that resulting bloating from them like wheat pastas. But even gluten free pastas are high carb. This pasta gives me hope to enjoy wheat pasta occasionally.

31.181

Lucie

April 1 18:15

The author ate two servings at one sitting and did not have any veggies with it. In my opinion, he gave an unfair assessment.
I use one serving of the Dreamfield pasta and combine it with Miracle Noodles. It's satisfying, does not negatively affect my blood sugar and I'm losing weight.

Reply: #182

32. Reply to comment #181 by Lucie

182

Zepp

April 1 23:50

Well.. the less one eats.. the less the blood sugar rises.
Try to eat a half serving.. much better then a whole.
And if you get satisfyed with that, try without any servings at all, a lot better.
Its about one have to eat to get the calories one need.. otherwise one could drink plain water.

If one cant eat enough for ones energy demand without geting bad blood sugar.. then one should eat somthing els.

33.183

Christoph Dollis

April 9 14:38

There's a lot of evil in this world, eh?
Not that it will do the slightest good, but I just made this post on my FB page:

> What evil the people behind Dreamfields are.
> They would inflict severe medical harm on their obese and diabetic customers (amputation, blindness, death, numerous other), so they can sell more pasta, claiming it is effectively low carb when it isn't.
> I hope the people behind this fraud are imprisoned, and also sued into oblivion. But mostly imprisoned.

Good point:

> Gaboman
> December 1 2012 16:24
> One simple question - if your body isn't digesting all those carbs in Dreamfields pasta, where do the 190 calories per serving come from? The cooking water?

34.184

Gary

April 21 4:12

Since we are all unique individuals, we all have differing needs and every person's body digests foods differently. For example, people are lactose intolerant, have food allergies, etc. Therefore, cementing your own opinion about a product based solely on this website's personal opinion is being fraudulent to yourself.
As many people have pointed out, this "doctor" ate this pasta with no other foods and drank a glass of water. It was just "naked" pasta. Now, how many people eat just plain, "naked pasta"? Secondly, in his cute little graph, the "doctor" compared the "naked" pasta results with meals in which other foods

were present. Can we say comparing apples to oranges?
What I am saying is to try the pasta yourself. If you have a negative reaction, please refrain from using the product. Simple. DO NOT take other people's "tests" or opinions at face value and adjust your personal diet based on such. Do your due diligence, research for yourself. What works for one may not work for another. Even doctors have ulterior motives. JUDGE FOR YOURSELF!

Reply: #185

35. Reply to comment #184 by Gary

185

Zepp

April 21 13:59

Well thats prove the Doctors point then.. eat less pasta or no pasta or replace it with oter foods!
If one saying that one dont absorbe the starches as glucose.. one shoulde see this on blood sugars!
You just saying one should eat somthing to the pasta.. thats no mesuring if the pasta is absorbed as glucose.. its about if other foods slowing the absorbtion of the glucose.. in the pasta!
You know.. thats what GI is about.. to slower the absorbtion of glucose!
Soo.. this is no low carb pasta.. its a GI pasta.. or mayby not even that.. its a fake!
http://www.youtube.com/watch?v=YkStVTKGb7g

36.186

John C

May 7 2:16

Great article. I have been living low carb for about 17 years. I have been eating dreamfields for about 9 or 10 years. I always feel bloated for days and if I eat a generous portion, I have gas for about 24 hours. I think that I will limit or discontinue my use of dreamfields. (I am going to test my sugar just for my peace of mind)
Thank you,
John C

37.187

Angela

May 15 16:21

Wow I am so glad I found this page, because it answers a whole lot of questions for me. I recently have embraced low carb eating in order to get high glucose numbers under control so I can avoid the diabetic fate that has already taken down my older brother.

Have been doing really well, steady numbers, well below what the doctor ordered. I have not been sticking to the "rule of 45" carbs per meal, because I was embracing the meat/fish/veggies/butter as you have. I know that carbs are poison to me, as a bit too many and I'm into wicked cravings for more and more and more.

Then.... the diabetes educator gave me a coupon for some dreamfields pasta, so I had an evening meal of one serving plus a salad and a bit of sauce. That evening, I had an attack of carb cravings, something that hasn't happened to me since starting my sensible eating plan. I did not give into it and pushed through without anything else to eat that evening. My 2 hour after meal glucose reading was 141..... 45 points higher than it has been. My morning fasting glucose was 112, which is 15-25 points higher than it had been. Additionally, that morning I woke up with my HEAD POUNDING like a bass drum.

Until I found this page, I really did not understand the numbers I got, since that pasta supposedly had added "only 5 grams" of carbs to my plate. Now I know that what I experienced is exactly what will happen if one pretends that there is such a thing as healthy low carb junk food (that's what pasta is to me).

Thank you for this great analysis, it has gone even further to educate me as I regulate my glucose and stay healthy.

38.188

Heidi

May 21 1:01

JUst wanted to add a quick story:

A friend had me watch her type 1 diabetic daughter ... I am type 2 and she felt comfortable with me watching her. She was maybe 8 at the time. When I told my friend what i was serving for dinner, I showed her the dreamfields pasta box ... trying to explain to her that she needed to bolus her daughter for the actual

claim on the box ... my friend did not believe me - so calculated the amount of insulin for her daughter according to her usual standards ...
Unfortunately - an hour after eating - the girl was crashing fast, and had a blood sugar of 34. We gave her appropriate food - but I have to say - the above article is irresponsible at the least, and inflammatory at the most.
I have not had the negative impact from dreamfields that i have had from any other pasta .... and when the man above complained about his sugar going up to - what ;160? good grief - he ate 115 grams and it ONLY got up that high ... seems like a "win" in any context.
ANyway - thought I'd share.

39.189

weaselspleen

June 1 17:20

Anecdotal evidence that you know someone who it helps, or that it's helped you, without providing factual evidence to support your claims is meaningless.
Was this a thorough scientific test? No, because there was only one subject. But at least he bothered to take measurements and do the actual math involved.
Dreamfields is the one making the claim that most of the carbs in their product are not absorbed. They are obligated to provide proof for this claim in the form of rigorous scientific research.
In 9 years, they have failed to do so.
Put up or shut up, Dreamfields.
The fact that Dreamfields was able to get the NIH research paper which contradicts their claims withdrawn tells me they don't have any real proof. If they did, they would present it as a counter argument.

40.190

Caleb Coburn

June 26 2:31

I started back eating a lower carb diet as well as df 12 weeks ago. I had gone back to high carb eating and had balloned up to 308lbs and was borderline diabetic. I eat df once or twice a week with protein and veggies and have lost 60lbs so far and I am no longer borderline diabetic. I agree with the others, the

studies were not conducted in a logical or factual manner. I do mot suffer any stomach discomfort or flatulence which makes my wife happy indeed. Df pasta has made living a low carb lifestyle even easier.

1 2 3 4

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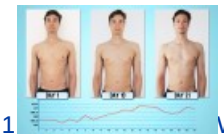
- 1  What Happens If You Eat 5,800 Calories Daily on an LCHF Diet? 142
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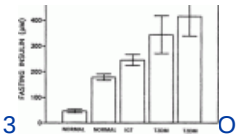
- 3  Obesity is Now a Disease, Says AMA 61
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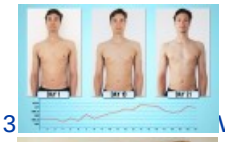
- 3  What Happens If You Eat 5,800 Calories Daily on an LCHF Diet? 142
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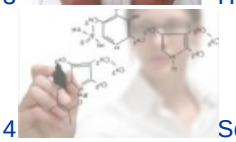
- 4  Science and Low Carb / Paleo

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- The effect of extreme carbo-loading
  - FrankG: I was going to mention...
  - Vincent: That's not carb loading gone...
  - Peggy Holloway: All of the people we...
- The Sugary Truth
  - bill: The cartoon makers could not...
  - Richard David Feinman: I think addiction is defined...
  - murray: I would distinguish the addictive...
  - Richard David Feinman: "...I go back to it"...
- The Perfect Crime
  - FrankG: Just 'cos I enjoy repeating...
  - Christopher: Have you considered writing .....
  - Pierson: "I've never seen anybody with...
  - FrankG: Or perhaps you should continue...
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The biggest health blog in Scandinavia, with over 25 000 daily visitors, now has an English version: DietDoctor.com.

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Two More Fantastic Low-Carb Health Stories To Encourage You »

Dreamfields President: We Stand Behind The Nutritional Claims Of Our Low-Carb Pasta

A scandalous controversy of sorts has risen up in the low-carb community over the past week as news from the recently-concluded Low-Carb Cruise has begun to trickle out into the blogosphere and social networking sites about the topics discussed by the guest speakers. The most prominent and oft-repeated message that I've been seeing is something Swedish physician Dr. Andreas Eenfeldt shared at the very end of his lecture regarding this February 2011 *Diabetes Care* study that concluded the so-called "low-carb" pasta sold and marketed to people with diabetes and on low-carb diets by a company called Dreamfields Foods produces a similar blood sugar spike to traditional white pasta. If this is true, then it could be bad news for people on low-carb diets who are choosing to include Dreamfields pasta as part of their lifestyle change. So what is the real deal about this? I wanted to find out.

On Tuesday, I contacted one of the investigators on that study named Dr. Mary C. Gannon from the Minneapolis Veterans Administration Medical Center and the

Search

University of Minnesota who I had met several times at various Nutrition & Metabolism Society low-carb conferences over the years. This active researcher of low-carb diets (she refers to them as LoBAG-Low Biologically Available Glucose-in her work) confirmed that they did indeed conduct a study on the Dreamfields pasta because she wanted to know if it was a product she could use with her diabetic study subjects. When she inquired about the data confirming the claim that there are only 5g digestible carbohydrates in the Dreamfields pasta, Dr. Gannon told me she received no response back from the company. That's when she and her fellow low-carb researcher Dr. Frank Nuttall (read Laura Dolson's reporting on what he shared with her about their study here and here) decided to do this experiment comparing Dreamfields to traditional pasta.

I asked what they allowed the study participants to consume with the one 2-ounce serving of pasta and Dr. Gannon said matter-of-factly "salt and pepper only." Ewww! Pasta needs butter, cheese, and marinara sauce to taste good, but I understand the need to isolate the pasta to see what the impact it will have on blood sugar levels. The results of the first round of her study on five "old people" with average fasting blood glucose levels of 110-112 were astonishing:

As you can see from the above graph, both the Dreamfields and traditional pasta produced similar spikes in blood sugar after consumption. Since this was an older crowd who may have had certain metabolic conditions that made their blood sugars more susceptible to this kind of response to the Dreamfields pasta, Dr. Gannon and Dr. Nuttall then decided to repeat the experiment again this time around with five "young people" with an average fasting blood glucose level of 96. Would they do any better? See for yourself:

While the blood sugar rise wasn't nearly as pronounced as it was with the older study subjects, the conclusion was basically the same–the "low-carb" Dreamfields pasta produced a similar blood sugar curve as the traditional pasta. Granted, this was a very small study sample and it doesn't necessarily prove anything regarding the claims made by the Dreamfields company about their product only having 5g of what they describe as "net effective carbs." Since I had previously interviewed Dreamfields President Mike Crowley on my "Livin' La Vida Low-Carb Show" podcast in August 2009, I decided to contact him back again to give him an

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PODCASTS

MONDAY-WEDNESDAY

opportunity to respond to this study and the concerns expressed by people like Dr. Eenfeldt who decided this week to translate **his post from his popular Swedish blog about Dreamfields** into English in a scathing column entitled **"The Dreamfields' Pasta Fraud."** Although he consumed twice the serving size (4 oz) of Dreamfields pasta in his n=1 experiment (the man is 6′7″ and has more energy needs than most of us), the results on his blood sugar are shocking to say the least:

That response to the Dreamfields pasta by a very fit late-30-something man made this 39-year old man want to try this experiment for himself, too. And so on Wednesday morning, I decided to whip out my handy dandy glucometer, check my fasting blood glucose number, eat me two ounces of Dreamfields penne rigate cooked for 8 minutes to prevent overcooking and seasoned with just sea salt and freshly ground pepper (YUCK!), and then test my blood sugar periodically over the next three hours. This morning I did the same test all over again prior to speaking with Mike Crowley from Dreamfields and I did it with traditional penne rigate pasta (which freaked me out when I stepped into my local grocery store to buy it–I kept looking around waiting for the carb police to show up and haul me away!). In comparing the blood sugar testing results I got consuming the Dreamfields with the traditional pasta, here's what my graph looked like (special thanks to my very artistic wife Christine for drawing this for me):

Needless to say, this result floored me. I suppose I was hoping the claims regarding the "protected carbs" were true, but it doesn't seem to be that way for Jimmy Moore either. The only way YOU can know how the Dreamfields pasta is going to impact you is to simply do the test for yourself. Some smart low-carbers like **Tom Naughton made the wise decision to never touch the stuff**, but others of us are a bit more hard-headed and hopeful that there are alternatives to our former favorite foods. Honestly, though, I haven't missed pasta one bit and that experiment I've done the past couple of days with Dreamfields yesterday and traditional pasta today reminded me why–I was so ravenously hungry and craving food the entire time I was testing my blood sugars as early as 10 minutes after eating. That same reaction happened with BOTH the Dreamfields and the traditional pasta. Not good. Both days after the three-hour testing had concluded, I was immediately eating something so I wouldn't pass out. It wasn't a pretty sight and my blood sugar wasn't even in hypoglycemic levels

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either. Sure felt like it though.

But, to be fair, I wanted to allow the President of Dreamfields to have an outlet for responding to the concerns about his company's products in a special edition of my podcast which I will air soon on **"The Livin' La Vida Low-Carb Show."** This was too important not to get out there to you just as soon as possible, so I posted the 45-minute interview on YouTube for you this afternoon. Listen to what Mike Crowley has to say in response to the study by Dr. Gannon and Dr. Nuttall, his reaction to the readings that both Dr. Eenfeldt and I got doing our own n=1 experiments on the Dreamfields pasta, and his hopes and desires regarding further research and testing of his company's products. Then decide for yourself whether you think Dreamfields pasta should be a part of your healthy low-carb lifestyle.

http://www.youtube.com/watch?v=5HUqybUr9bI

http://www.youtube.com/watch?v=axfmH-dmMVM

http://www.youtube.com/watch?v=a3iIXN6eNbE

May 19th, 2011 | Tags: Andreas Eenfeldt, blood sugar, Dreamfields, food, Frank Nuttall, health, healthy, Jimmy Moore, low-carb, Mary Gannon, Mike Crowley, pasta, product, testing | Category: 1

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Natasha Campb...
v 15, 2010)
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All Carbs Are Not Created Equally: The Dreamfields Difference

Independent Validation Study Clarifies Carb Confusion

For Immediate Release

Oxford , OH – DNA Dreamfields Company, LLC is proud to release the scientific information that explains and proves the digestible carb impact of their breakthrough ***Dreamfields*** pasta brand. The study provides scientific evidence, based on independent clinical trials and research that the technology used to make ***Dreamfields*** is unique, revolutionary and effective in controlling carb intake. The purpose of the study was to scientifically validate the " protected carb" technology used in ***Dreamfields*** and to prove that the phrase "digestible carb" is the most accurate term to describe carb content to the consumer. All the research and trials were performed under FDA guidelines.

The clinicals for the study were performed at a single site by AMK Research, Inc in Gainesville, Florida. The study protocol was reviewed and approved by the

Independent Institutional Review Board of Plantation, Florida. "The clinical research suggests that the ***Dreamfields*** pasta 'protected carb' technology is capable of rendering a significant portion of the carbohydrates indigestible in the small intestine," said Jon Anfinsen, PhD and Chairman of TechCom Group, LLC. "This data validates the effectiveness of the new technology while statistically supporting the 5 gram label claim of ***Dreamfields*** pasta."

Kantha Shelke is a principal at Corvus Blue LLC, and Ingredients R&D Editor at Food Processing and Wellness Food magazines. She holds a Ph.D. in Cereal Chemistry/Technology with specialization in carbohydrates & MS degrees in Food Science/Nutrition and Organic Chemistry. Kantha explains, "Sound science-based research and unambiguous information are the keys to helping consumers select foods sensibly and successfully leading healthy lives. An important step is to dispel the various myths that surround consumer perception of carbohydrates." Carbohydrates have now become a "four-letter word"– carbs include sugars, starches, and fibers. Not all carbohydrates, however, are equal and it is a myth that all carbohydrates contribute to weight gain and obesity. They differ naturally in their levels of digestibility and the extent to which they produce sugars.

Dreamfields uses a patented technology that creates a complex food structure to protect its carbohydrate content from digestibility, much like what happens in whole grain cereal products. By virtue of lower digestibility, lower glucose enters the blood stream. Additionally, this method enables ***Dreamfields*** to deliver all the authentic taste and texture of traditional top quality pasta, but with only 5 grams of digestible carbs. This is in marked contrast to other "low carb" pastas that use the dilution method to replace digestible carbs with other food ingredients, often with negative effects on taste and texture. ***Dreamfields*** is also a good source of fiber, with 5 grams of fiber per serving, and can be a delicious part of a healthy, well balanced diet.

Dreamfields is the pasta the whole family will love because it is authentic pasta, tastes great and has added health and diet benefits. ***Dreamfields*** pasta is made almost exclusively of durum wheat semolina combined with a small amount of a unique fiber and protein blend that results in fewer carbohydrates, only five grams of digestible carbs per serving, being absorbed into your system, much like whole grains, thus offering carb management.

About Dreamfields

Dreamfields Company, LLC is a joint venture between TechCom Group, LLC, a Gainesville, FL -- Based, technology commercialization and development company; B-New, LLC, a Cincinnati, OH – based brand creation and development company, Buhler Inc. of Plymouth, Minn., a global engineering and equipment company, and Dakota Growers Pasta Company, Inc. of Carrington, ND, the third largest manufacturer of dry pasta in North America.

###

DREAMFIELDS FOODS 1600 UTICA AVE S SUITE 350 ST. LOUIS PARK, MN 55416 1-800-250-1917

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Finally, Great Tasting Pasta With Healthy Carbs!

DNA Dreamfields Company Introduces Pasta with Authentic Taste And Texture And Only 5 Grams of Digestible Carbs.

For Immediate Release

Cincinnati, OH – DNA ***Dreamfields*** Company, LLC announces the debut of their revolutionary new pasta for Healthy Carb Living – ***Dreamfields***. To meet consumers' growing interest in controlling their daily carb intake and healthy living, ***Dreamfields*** is launching a unique pasta recipe that provides all of the taste and texture of traditional pastas, with only five grams of digestible carbohydrates per serving. Now, managing your carbs doesn't mean sacrificing taste. ***Dreamfields*** is the pasta the whole family will love because it tastes like authentic pasta, yet has all the added health and diet benefits.

"My clients, who are concerned about their carb intake, are excited when I recommend ***Dreamfields*** pasta as part of their weekly meal planning," said Elizabeth Gabbay, celebrity trainer and nutritional consultant to the stars. "Pasta has become part of the mainstream American diet. People no longer need to

deprive themselves in order to slim down, when they can eat ***Dreamfields*** and enjoy superior pasta taste and excellent health benefits, while controlling their carbs."

Until now, managing carbs meant eating low carb pasta and sacrificing authentic pasta taste. That's because most "low carb" pastas got that way by replacing the durum wheat semolina with soy and other fillers. In some cases, these fillers make up 70–80% of the low carb pasta formula and negatively affect the taste and texture of pasta as well as preparation and serving options. In contrast, ***Dreamfields*** pasta is made primarily of durum wheat semolina combined with a small amount of a unique fiber and protein blend that results in fewer carbohydrates being absorbed into your system, much like whole grains, thus offering carb management. The ***Dreamfields***' five-gram digestible carbohydrate content was verified in independent clinical testing performed in a clinical laboratory that complies with FDA guidelines. Managing carbs is an important part of a healthy lifestyle. Eating the correct types of carbs and the appropriate amounts of carbs can help people maintain a healthy weight or lose weight if desired. Other benefits of good carbohydrate management can include improved digestion, lower levels of bad cholesterol, improved bone health and better sugar control for diabetics. ***Dreamfields*** can be an important part of a managed carb diet without sacrificing any of the taste or enjoyment of one of our favorite comfort foods.

"We wanted to do more than just cut carbs, we wanted a product that would help people manage their carbs to help them gain significant health benefits without sacrificing taste," said Jon Hall, a principal of DNA ***Dreamfields***, LLC. "***Dreamfields*** is a healthy and delicious way to take control of your carbs."

Recently, consumers who tried ***Dreamfields*** in blind tasting said it has all the taste and texture of their favorite "regular" pasta. In fact, research showed that people who had cut back on pasta for low carb diets would eat pasta more often if it were ***Dreamfields***.

"Our sell–in to supermarkets has been very successful so far," said Hall, "Retailers are genuinely excited that a great tasting, reduced carb pasta is now a reality with ***Dreamfields***. It will bring people back to the pasta aisle because it is the only "low carb" pasta line with an authentic taste and texture. It's an ideal way for the whole family to enjoy healthy carb living."

Dreamfields can be found on the shelves of many of your favorite retailers including the top three supermarket chains, including Wal-Mart Supercenters, Kroger, and Safeway, as well as numerous regional stores.

Dreamfields has put together an impressive panel of nutrition, medical, scientific and culinary experts for their advisory board, including – Clare Hasler, PhD., founding director of the Functional Foods for Health Program; John Abernethy, M.D., a faculty member at the University of Florida Medical School and a member of the American Academy of Family Practice; and Marilyn Harris, a certified culinary professional and author of several cookbooks, who is noted for her inventiveness and subtle sense of flavors. This team recommends ***Dreamfields*** as a delicious part of a healthy lifestyle for people who want to watch their carb intake and enjoy good nutrition.

Look for ***Dreamfields*** in the pasta aisle of your favorite supermarket. ***Dreamfields*** pasta is available in 4 popular shapes: Spaghetti, Elbows, Penne Rigate and Linguine, ensuring you can make your favorite pasta dishes that are delicious, healthy and satisfying for everyone. Approximate Retail Value of the 16 oz box of all varieties is $2.59. More information about ***Dreamfields***, including complete nutritional information, is available at: www.dreamfieldsfoods.com.

About Dreamfields

Dreamfields Company, LLC is a joint venture between TechCom Group, LLC, a Gainesville, FL -- Based, technology commercialization and development company; B-New, LLC, a Cincinnati, OH – based brand creation and development company, Buhler Inc. of Plymouth, Minn., a global engineering and equipment company, and Dakota Growers Pasta Company, Inc. of Carrington, ND, the third largest manufacturer of dry pasta in North America.

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DREAMFIELDS FOODS 1600 UTICA AVE S SUITE 350 ST. LOUIS PARK, MN 55416 1-800-250-1917

EXHIBIT P

Glycemic Response to Ingested Dreamfields Pasta

By Bryan Tungland – 6.10.11
Director of Technology and Innovation, DNA Dreamfields, St. Louis Park, MN USA

Introduction

It is well known in the food industry that raw, intact or partially milled whole grains and legumes contain high levels of RS1-type resistant starch, while cooking generally increases their starch digestibility to varying degrees. Further, it is also widely known that manufacturing processes render foods more or less digestible. By example, specialized manufacturing techniques are used to make starch from wheat and corn resistant to digestion, such as through heat moisture treatment and extraction of the naturally resistant high amylose portion (R2-type resistant starch (Kisida et al., 2001), hot and cold processing of the starch to retrograde or crystallize the starch (RS3-type resistant starch) (Vasanthan and Bhatty, 1998), or by chemically crosslinking the starch molecule (RS4-type resistant starch) (Yeon et al., 2008). These type of resistant starches are commonly added to process foods to increase their dietary fiber content, while also replacing digestible starch-containing flour.

Literature further shows that human glycemic response to food is related to food's macro- and microstructure (Teague, 1988; Dougherty et al., 1988; Edwards et al., 1995; Brennan et al., 1996; Tudorică et al., 2002; Autio et al., 2003; Brennan et al., 2004 and Brennan 2005). It is common to those skilled in the art of making pasta that traditional pasta made using standard manufacturing techniques and cooked using standard procedures results in pasta having a consistent protein-starch microstructure. This protein-starch microstructure is due to the indigenous structural protein present in durum wheat semolina that helps manage water absorption by the embedded starch granules. The protein-starch microstructure of traditional pasta provides a product that has a relatively low glycemic response, when compared to foods having a more porous or open microstructure (Autio et al., 2003). However, unlike traditional pasta, Dreamfields pasta uses a patented composition of specific functional fibers and functional wheat proteins, and a specialized pasta production technology that creates a unique protein-fiber microstructure, rather than a protein-starch microstructure. The unique protein-fiber microstructure embeds the starch granules within reducing starch granule gelatinization during cooking by redirecting and binding water to minimize its migration to the starch granules. By minimizing water migration to the starch granules, much of the starch granules are maintained in their native, unswollen state. Starch granules in their unswollen and entrapped state are consistent with the definition of RS-1 type resistant starch as classified by Englyst and others (1992). Uncooked and

embedded starch granules are significantly more resistant to digestion by alimentary enzymes of the human small intestine as compared with cooked and exposed starch granules of traditional pasta, white rice, white bread, cooked potatoes and other cooked high starch foods. In addition to its influence on pasta and starch microstructure, the specific fiber blend added to Dreamfields pasta contains xanthan gum and pectin, which are viscous fermentable (soluble) fibers and inulin, a non-viscous fermentable (soluble) fiber. Many types of soluble fiber may benefit individuals with metabolic syndrome, through their effects on appetite, body weight, and blood lipid and glucose levels (Schulze et al., 2000). Their beneficial effects may also occur via effects on gastrointestinal (GI) motility. These fiber components are shown in literature to have influence on decreasing gastric empyting by thickening the chime, (pectin and xanthan gum) or improving relaxation of the proximal stomach and lumen, as well as delaying gastric emptying (GE) via short chain fatty acids (SCFAs) and /or GI peptides (inulin) (Jenkins et al., 1978; Trout et al., 1978; Holt et al., 1979; Osilesi et al., 1984; Osilesi et al., 1985; Sandu et al., 1987; DiLorenzo et al., 1988; Schwartz et al., 1988; Cuche, et al., 2000; Tungland and Meyer, 2002; Cherbut 2002; Cherbut 2003; Russo et al., 2010a,b). Metabolically, slower gastric emptying rates can positively affect both postprandial blood glucose levels and so help maintain better glucose homeostatis (Jenkins et al., 1978), as well as lipids (particularly triglycerides) levels (Brighenti, 2007; Russo et al., 2008).

When performing clinical testing using Dreamfields pasta, due to the potential for overcooking and adulterating its protective microstructure, clinical study protocols must strictly adhere to cooking instructions provided on each package. Further, as a subject's metabolism may vary significantly from day to day due to such things as their activity level and diet, clinical protocols must also utilize acceptable standards to ensure a subject has normal metabolism to minimize variability in test subject metabolic performance. Further, due to the potential for increased subject variability, diabetic subjects are not used as subjects for Dreamfields testing. For further technical information about the product refer to the professional section the Dreamfields website listed in the references.

Dreamfields has performed glycemic challenge tests with both traditional and Dreamfields pasta at an independent clinical research facility to show that the glycemic response for Dreamfields pasta is significantly lower than traditional pasta. In addition, as a measure of quality assurance and prior to releasing its products for commercial sale, Dreamfields also performs human glycemic tests on every production batch at an independent medical research facility. Data following show that only 5 grams of the 41 grams total CHO in a 56 gram dry weight serving is digestible to result in a blood glucose rise.

Dreamfields pasta compared with traditional pasta for its glycemic response

Method details: Dreamfields has performed a single blinded, randomized crossover study to compare the human glycemic response of ingested Dreamfields pasta with traditional pasta. The study used 8 randomized healthy subjects (4 males and 4 females) selected from the general population and rigorously prescreened for any metabolic disorders or hormonal issues using subject clinical history, blood chemistry analysis and oral glucose tolerance testing. Each of the test subjects was fed a dry weight serving of Dreamfields spaghetti or traditional high quality durum semolina spaghetti,

representative of 25 grams available CHO. The dose of 25 grams of available CHO was chosen for the glycemic testing, as this dose was determined from previous human dose/response studies to be in the linear range for glycemic response from pasta. Dose response studies showed that CHO doses significantly lower than 25 grams available CHO resulted in inadequate glycemic response curves, while higher pasta doses, (such as the 50 gram available carbohydrate dose in common use to determine the glycemic index of a wide range of foods) yielded curves that were irregular and broad; resulting in glycemic responses outside the linear range for accurate testing.

Available carbohydrate determination: The 25 gram available carbohydrate level used to test Dreamfields pasta was determined by measuring the product's total starch and simple sugar (fructose, glucose, sucrose, maltose, lactose) content using official Association of Official Analytical Chemists (AOAC) methods, 979.10 for total starch and 997.20 for the simple sugars. Results of the available carbohydrate in a 100 g portion using chemical analysis were also compared to those calculated using proximate analysis (total carbohydrate in a 100g portion minus its dietary fiber content). The difference between the calculated value based on proximate analysis and that measured using the official analytical methods was insignificant, only 0.07 g per 100g pasta.

Sample and subject treatment: As previously noted, strict adherence to using specific cooking times for Dreamfields is necessary to obtain consistent and accurate glycemic results. In this comparison study subjects arrived at the independent clinical research facility following an overnight fast. Subjects were either fed Dreamfields pasta, high quality durum semolina traditional spaghetti or a white bread obtained locally in Gainesville, FL. Each pasta type was cooked as specified on their respective packages. Subject baseline fasting blood glucose values were determined in duplicate. As a measure of consistency, if a subject's duplicate fasting blood glucose values varied by more than 8 mg/dL, the subject was not allowed to continue testing on that day. Each subject was fed triplicate servings of each of the food types containing 25 grams of available CHO over several days until all testing was completed. In this randomized crossover study, the glucose response was determined every 15 minutes for a 2h period after ingestion of each CHO "meal."

Sample testing interval: Dreamfields pasta glycemic testing uses a two-hour postprandial testing procedure as it is well known that healthy people typically have digested the majority of the carbohydrate in a meal within this time frame. Dreamfields confirmed that two-hour testing is acceptable by testing its products using extended feeding studies up to six hours at an independent testing facility. Data from 68 individual extended feeding tests in healthy subjects show that the majority of the healthy subjects (80%) had their blood glucose levels return to their fasting baseline level within 2 hours. Subjects whose blood glucose level did not return to its fasting level within 2 hours, had their levels return to baseline within 2.5-3 hrs. No additional blood glucose rise has been observed in subjects after 3 hours of extended glycemic testing. However, it was determined that none of the peak area associated with the increased testing time to reach the fasting baseline level in the slow responding subjects was significant to the overall area under the curve (AUC), and did not have any effect on the calculated GI values. Data indicate that a 2-hour postprandial testing period is sufficient to capture the most significant peak area associated with the glucose responses from subjects consuming Dreamfields pasta.

Comparison study results: Once each glycemic challenge test was complete, the area under the blood glucose response peak (AUC) was determined mathematically using peak area analysis software. The white bread "meals" were used as a standard glycemic reference for the pasta blood glucose response curve area, so as to calculate a glycemic index and glycemic load using the following calculations:

Eq. 1: Glycemic Index (GI): AUC_{Pasta} / $AUC_{Bread\ Standard}$ X 100, where AUC means Area Under the Curve.

Eq. 2: Glycemic Load (GL): [AUC_{Pasta} / $AUC_{Bread\ Standard}$] X 38.0*

*[NOTE: The value of 38 is used as a factor to adjust the study's dry serving to the 56 grams dry serving size established for nutrient labeling by the FDA.]

Because the eating properties of the two pasta types were indistinguishable and the study was single-blinded, subjects were unaware if they were consuming Dreamfields spaghetti or the traditional spaghetti.

The mean blood glucose results and variability of triplicate testing are shown in Figure 1, while the study's statistical summary data are shown in Table 1. Blood glucose results show that ingestion of Dreamfields pasta results in a 65% reduction in glycemic response as compared with traditional pasta.

It is important to note that for its 65% GI reduction label claim, Dreamfields pasta has relied on published glycemic index (GI) values. The GI value of 38 used for traditional pasta, shown on the front of its package in the lower left hand corner, was taken from The New Glucose Revolution, published by Brand-Miller and others in 2003. The pasta results published in this reference indicate pasta that was cooked for 5 minutes, a relatively short period of time, and thus, produced a relatively low GI value. The low GI value, while being from somewhat undercooked pasta, was deemed most appropriate for use in labeling as a conservative value, given the variability of glycemic index testing. More recent data published by Atkinson and others (2008) show traditional pasta having a glycemic index of 49 ± 2.

Dreamfields Production Glycemic Testing

In addition to a comparative study, Dreamfields also performs quality assurance glycemic testing prior to releasing production product for commercial sale. Every production batch of Dreamfields pasta undergoes glycemic testing with healthy humans in an independent clinical testing facility located in Gainesville, FL. As described previously, subjects are rigorously prescreened for possible metabolic issues prior to being accepted as test panelists; their test results are monitored continually for deviations and anomalies that could render inaccurate results. During Dreamfields quality assurance glycemic testing, each of three test subjects is fed 38 grams (dry weight serving) of Dreamfields pasta, representative of 25 grams available CHO. Pasta is cooked using times specified on the package for its shape. Each subject's blood glucose level is measured every 15 minutes for 2h after ingestion. The resulting blood glucose response curve's area is determined mathematically using a peak analysis software system and compared with the area derived from the same subject's response to a reference

locally-produced white bread to calculate a glycemic index and glycemic load, as previously described. The glycemic index and glycemic load are calculated using equations defined in the comparison study. Dreamfields has over 1200 challenge tests on file, done since the product was introduced in 2004. The mean blood glucose responses for the white bread standard and Dreamfields pasta is shown in Figure 2, while the summary results of these challenge tests, presented in Table 2, reinforce Dreamfields' claim of 5 grams of digestible carbohydrates per dry weight serving of its pasta. Low number of tests for some shapes listed in Table 2, such as angel hair, are the result of their recent commercial introduction.

Concluding Remark

Since 2004, controlled-subject glycemic challenge testing, using a 25 gram available carbohydrate dose and a standard 2hr postprandial method, has consistently provided glycemic response data from Dreamfields pasta that is significantly lower than that published for traditional pasta as shown in peer-reviewed literature. These results were further supported through single blind randomized crossover study comparing Dreamfields pasta glycemic response with traditional pasta.

Figure 1. Blood glucose response comparative data.

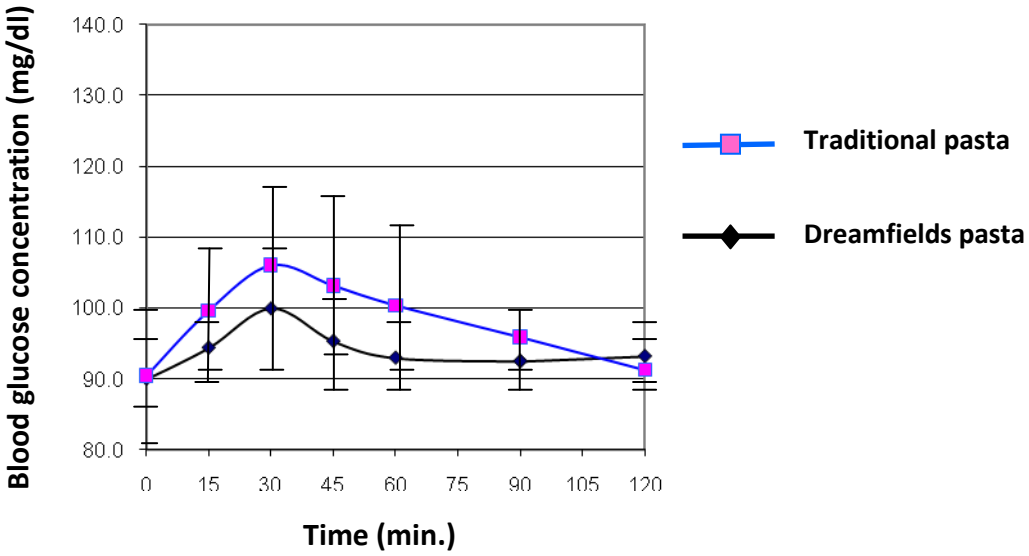

Table 1. Comparison of triplicate testing of Traditional and Dreamfields spaghetti.

Subject	Mean Bread AUC	Mean DF Pasta AUC	Mean DF pasta GI	Mean DF pasta GL	Mean Trad. Pasta AUC	Mean Trad. Pasta GI	Mean Trad. Pasta GL
1	2545	264	10.4	3.7	591	23.2	9.3
2	1882	389	20.7	7.4	875	46.5	18.5
3	2312	184	8	2.8	1398	59.0	23.5
4	2518	255	10.1	3.6	993	39.4	15.7
5	1928	341	17.7	6.3	447	23.2	9.2
6	1854	108	5.8	2.1	705	38.0	15.1
7	1593	219	13.7	4.9	475	29.8	11.9
8	3564	261	7.3	2.6	1217	34.1	13.6
Mean	2275	253	11.7	4.2	838	36.7	14.6
STDEV	622	87	5.3	1.9	348	12.1	4.8

Figure 2. Mean Blood glucose Responses to White Bread Standard and Dreamfields Pasta

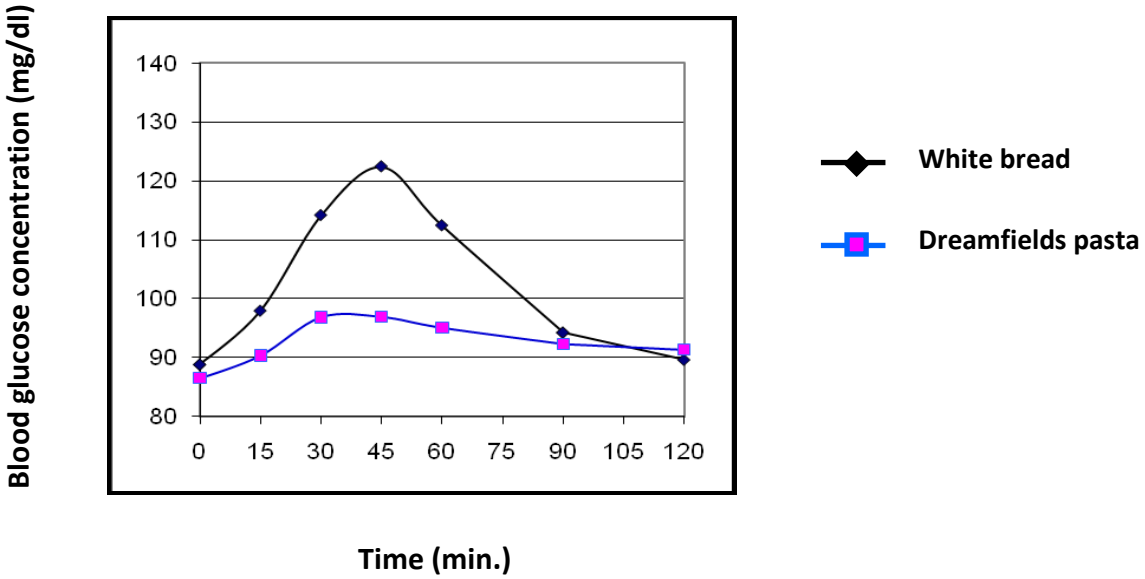

Table 2. Human production quality control *in vivo* Glycemic Index and Glycemic Load data.

Pasta Shape	Number of Production Tests	Glycemic Index	Glycemic Load
Elbows Mean	129	15.6	5.6
Elbows SDEV		8.6	3.1
Lasagna Mean	133	15.9	5.8
Lasagna SDEV		7.1	2.6
Linguine Mean	179	14.5	5.3
Linguine SDEV		8.8	3.2
Penne Mean	254	15.3	5.5
Penne SDEV		7.3	2.6
Rotini Mean	112	16.2	6.0
Rotini SDEV		8.5	3.1
Spaghetti Mean	380	12.3	4.4
Spaghetti SDEV		8.4	3.0
Angel Hair Mean	44	15.3	5.6
Angel Hair SDEV		8.6	3.2
POOLED MEAN	**1231**	**15.0**	**5.4**
POOLED SDEV	**1231**	**8.2**	**3.0**

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EXHIBIT Q

Dreamfields Pasta - Truly Low-Carb?

Is Dreamfields Really Low in Carbs?

By Laura Dolson, About.com Guide

Updated May 26, 2011

About.com Health's Disease and Condition content is reviewed by our Medical Review Board

Dreamfields Pasta

Image Courtesy of Dreamfields Foods

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- low carb pasta
- shirataki noodles
- spaghetti squash

Dreamfields brand of pasta claims to have a lower impact on blood sugar than regular pasta. What do we know about I diabetics and people on low-carb diets? Various sources disagree, so I've tried to sort it out.

What is Dreamfields Pasta?

Dreamfields is a brand of pasta that comes in many forms (spaghetti, lasagna, elbows, etc). Like traditional pasta, it is to have a lower glycemic impact through a process that lowers the availability of the carbohydrate during digestion.

Dreamfields' Claims

Dreamfields product packaging states that most of the carbohydrate in their pasta is "protected" -- that it will not brea sugar. For example, their spaghetti package says that there are 41 grams of total carbohydrate in a 2 oz serving, 5 of "digestible carbs." The other 31 grams are the "protected carbs." It also says it has been "clinically tested to establish "protection" is obtained through a patented process.

Dr. Bryan Tungland, the biochemist who helped develop the process Dreamfields uses, spoke with me in detail about th people. The testing he described is extensive -- each subject is very carefully screened with medical histories and blood test on each person. They are then given the food tests -- either the Dreamfields pasta or a white bread "control" -- or anything else. The food they eat contains 25 grams of available carbohydrate, and their blood glucose is tested every 1 curves when they ate the bread are compared to when they ate the pasta. I was told many other details, designed for

Some issues should be noted at this point. First, many of Dreamfields' subjects came from the local university, which m younger than the average for people on low-carb diets. Also, the serving size in the testing is just half of the 50 grams

of a carbohydrate. Third, the studies Dreamfields does are unpublished, so they are not peer-reviewed, and scientists a
and compare data.

One of the main reasons the subjects were screened so carefully is that people with any type of glucose tolerance issue
will react much more inconsistently to a food, both when comparing to other people and when comparing to themselve
foods marketed to people on low-carb diets (e.g. Atkins Nutritionals products) are not tested on people with glucose di
those people (e.g. diabetics, prediabetics, insulin resistant, etc.), because it doesn't necessarily tell them how they will

The Other Side

In the Jan 2011 issue of the journal *Diabetes Care*, there is a brief report of a study done at the U. of Minnesota/U. of
the researchers tested the glycemic response of ten people to 50 grams of carb from both Dreamfields and traditional
Dreamfields studies. The pasta was cooked according to the directions on the Dreamfields packaging. There was no dia
this study, although as a group they were likely older than their counterparts at Dreamfields (I am inferring ages from
you look at the graphs (five subjects on each graph), you will see that the glucose response curves for the two types o
people, meaning that people had essentially the same blood sugar response to Dreamfields as to regular pasta.

There have also been more anecdotal reports. Over the years I've received many in email and on my Forum, such as t
the expected small blood glucose response from Dreamfields products, while others have more dramatic responses sim
physician Dr. Andreas Eenfeldt reported in his blog that he had a high blood sugar response to a double portion of Drea

How can we explain these dramatic differences? Unfortunately, we don't have the information to entirely explain the di
cooking at home are going to cook in lots of varied ways, which could explain some of those reports. Also, home blood
lab tests. However, I think it's clear that at the very least, people should not assume that the carbs are completely "pr
systems, and that responses to this pasta vary substantially. (Note that responses to any food vary.)

My Recommendations for Using Dreamfields Pasta

At this point in what I know about these products, I would make the following recommendations:

1. Verify that your particular body responds well to the product. Check your blood glucose, or watch carefully for sig
interfered with (carb cravings, slow-down in weight loss, etc).

2. Keep to the serving size listed on the box.

3. Make sure you cook the pasta "al dente"! This is very important -- ANY pasta will be more glycemic if it is cooked
what al dente means.

4. Don't cook Dreamfields pasta with acidic ingredients, such as tomato sauce or vinaigrette. Acid breaks down the "
it's OK to put an acidic sauce on the pasta, and to eat it right away, don't store the extra with the sauce. (In fact,
not to store it at all after cooking -- try to cook only as much as you will eat in one meal.)

5. Remember, the sauce counts! In particular, tomato-based sauces can be quite carby -- a cup of plain tomato sauc

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Related Resources

- Low-Carb Pasta
- How to Cook Spaghetti Squash
- Shirataki Noodle Information

Low-Carb Pasta Recipes

- Low-Carb "Lasagna in a Bowl"
- Zucchini Noodles
- Quick Chicken Alfredo with Shirataki Noodles

Low-Carb Resources

- Low-Carb Recipes
- Low-Carb Discussion Forum
- Free Low-Carb Newsletter

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- Is Pasta Bad for Your Health?
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- Al Dente Pasta - What is Al Dente Pasta and How to Cook Pasta Al Dente
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Laura Dolson
Low Carb Diets Guide

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- Vegetables on a Low-Carb Diet: The Best and Worst

Ads:

EXHIBIT R

10-K 1 a09-32332_110k.htm 10-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended July 31, 2009

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File No. 000-50111

DAKOTA GROWERS PASTA COMPANY, INC.

(Exact name of registrant as specified in its charter)

North Dakota	**45-0423511**
(State of incorporation)	(IRS Employer Identification No.)

One Pasta Avenue, Carrington, ND 58421
(Address of principal executive offices including zip code)

(701) 652-2855
(Registrant's telephone number, including area code)

Securities Registered Pursuant To Section 12(b) Of The Act:
None

Securities Registered Pursuant To Section 12(g) Of The Act:
Common Stock, $.01 par value per share
Series D Delivery Preferred Stock, $.01 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-Accelerated filer ☒	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There is no established public market for the Registrant's common stock. Although there is a limited, private market for shares of the Registrant's common stock, the Registrant does not obtain information regarding the transfer price in transactions between its shareholders and therefore is unable to estimate the aggregate market value of the Registrant's common shares held by non-affiliates. As of October 29, 2009, the Registrant had 10,203,063 shares of common stock, par value $0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

PART I.

Forward-Looking Statements

This report contains forward-looking statements based upon assumptions by the management of Dakota Growers Pasta Company, Inc. (the "Company", "Dakota Growers" or "we"), a North Dakota corporation, as of the date of this Annual Report, including assumptions about risks and uncertainties faced by the Company. When used in this report, the words "believe," "expect," "anticipate," "will," "estimate" and similar verbs or expressions are intended to identify such forward-looking statements. If management's assumptions prove incorrect or should unanticipated circumstances arise, the Company's actual results could differ materially from those anticipated. These differences could be caused by a number of factors or combination of factors including, but not limited to, those factors described in the "Risk Factors" section of this report. Readers are strongly urged to consider such factors when evaluating any forward-looking statement. The Company undertakes no obligation to update any forward-looking statements in this report to reflect future events or developments.

ITEM 1. BUSINESS

Introduction

The Company is a North Dakota corporation that was organized on January 30, 2002. It is the successor to and its operations are a continuance of Dakota Growers Pasta Company, a North Dakota cooperative (the "Cooperative"), upon the conversion to a corporation effective July 1, 2002.

The Company owns and operates a vertically integrated, state-of-the-art durum wheat milling and pasta production facility in Carrington, North Dakota. Primo Piatto, Inc. ("Primo Piatto"), a wholly-owned subsidiary of the Company being operated as the Minnesota Division of the Company, currently operates a pasta production plant in New Hope, Minnesota. DNA Dreamfields Company, LLC ("DNA Dreamfields") became a wholly-owned subsidiary on September 21, 2007 (See Note 2).

Pasta Industry and Markets

The Company estimates North American annual dry pasta demand to be roughly 4.0 billion pounds, including pasta used in dinners, side dishes and meal solutions. In addition to the domestic market for dry pasta, much smaller domestic markets exist for refrigerated and frozen pasta.

The Pasta industry identifies domestic dry pasta into two basic markets: retail and institutional. The Company recognizes the institutional market as being comprised of ingredient and foodservice sales.

Retail Market

The Retail market includes sales of branded and private label pasta to grocery stores, club stores, mass merchants and other consumer retail operations. A significant portion of the Retail market is represented by established national or regional pasta brands. The Company estimates that Barilla, New World Pasta Company and American Italian Pasta Company account for over 75% of the branded retail market. The Company focuses a majority of its Retail marketing efforts on private label sales. The market leaders in private label sales are American Italian Pasta Company and Dakota Growers.

DNA Dreamfields Company, LLC launched a low digestible carbohydrate pasta under the *Dreamfields* brand name in 2004. *Dreamfields* pasta has maintained slightly over a 1% dollar share of the traditional grocery channel pasta market during the last three years based on data from A.C. Nielsen, making it the leading pasta in the low carbohydrate pasta category. *Dreamfields* pasta also has a 65% lower glycemic index than regular pasta.

In 2005, a trend toward high fiber products developed. While still small relative to the total pasta category, the consumption of these whole wheat/whole grain products continues to grow. *Dreamfields* pasta offers fiber

benefits similar to the levels of other whole wheat/whole grain pastas while maintaining the integrity of the taste and low carbohydrate traits. Dakota Growers also manufactures and sells traditional whole wheat/whole grain pastas.

Institutional Market

Ingredient sales consist of pasta used by food processors as an ingredient or component in a further-processed or combination food product. Such food products include dry pasta dinners, including macaroni and cheese, frozen entrees, refrigerated salads, canned entrees, baby food, and canned and dry soups. The size of the Ingredient market is influenced by the number of food processors that choose to produce pasta internally rather than outsource.

Foodservice sales are to commercial and non-commercial eating establishments such as restaurants, business and industry cafeterias, managed services, hotels and motels, retail vending, recreation, mobile and other away-from-home eating outlets. Marketing dry pasta to this market generally consists of selling to a network of competitive distribution organizations and buying groups, and selling dry pasta to individual restaurant chains and other operator organizations.

Co-Pack Arrangements

A portion of each end-user market is supplied under "co-pack" arrangements between pasta manufacturers. These agreements involve the sale of dry pasta products between pasta manufacturers in order to supply short-term volume deficiencies such manufacturers suffer from time to time in meeting customer requirements, and to allow a manufacturer to draw upon particular areas of expertise of other manufacturers, which may be more cost beneficial than self-manufacturing. Co-pack sales comprised approximately 4% of the Company's net revenues for the year ended July 31, 2009 and 5% for each of the years ended July 31, 2008 and 2007.

Production and Products

The Company purchases durum wheat which is processed through its milling facility into semolina and durum wheat flours that are then used by the Company to produce dry pasta products.

Pasta production is basically a mixing, extrusion and drying process. The primary ingredients are semolina and water, although egg, tomato, spinach or other ingredients may be added to produce certain products. The finished dry pasta is packed to meet different markets and customer requirements.

The pasta products manufactured by the Company consist of over 100 different shapes and are sold to customers in all markets. In addition to the dry pasta produced by the Company, it purchases additional dry pasta shapes from other manufacturers and resells them. This practice is widely followed by many pasta manufacturers for efficiency and production capacity reasons, and allows distribution of wider product lines to the Company's customers. Outside purchases of pasta, excluding imports, comprised over 2% of net sales for the year ended July 31, 2009 and 2007, and 1% for the year ended July 31, 2008.

The Company's identity preservation program provides our customers with food safety, traceability and quality from the field to the plate. The Company's proximity to the durum growing regions, its milling and production facilities, and its information technology systems allow the Company to produce products under an identity preservation program.

The Company's Carrington, North Dakota facilities are certified by the Organic Crop Improvement Association, which allows the Company to offer 100% organic pasta and semolina. The Company's facilities allow for the isolation of the durum, semolina and pasta to enable this certification.

The Company's products are manufactured using a comprehensive Hazard Analysis Critical Control Point (HACCP) program, which requires strict monitoring in all aspects of the manufacturing process, to ensure food

quality and safety. We believe that meeting HACCP standards strengthens customer confidence in the quality of our products. The Company undergoes food safety and product quality audits at various times throughout the year and has consistently received high scores.

In addition to its pasta products, the Company markets semolina, durum wheat flour and other flour blends to other food product manufacturers as market conditions allow. Lower grade second clear flours and millfeed by-products of the durum milling process are sold primarily for animal feed. Revenues from mill product sales represented approximately 8%, 12% and 8% of the Company's net revenues for the years ended July 31, 2009, 2008 and 2007, respectively.

Sales, Marketing and Customers

The Company markets its products through direct sales, supplemented by the efforts of third party brokers retained by the Company. These brokers receive commissions based upon sales of the Company's products. The Company's pasta products are distributed on a broad basis throughout the United States. The Company does not export significant quantities of its pasta products. One customer, U.S. Foodservice, accounted for approximately 7%, 9% and 12% of net revenues for the years ended July 31, 2009, 2008 and 2007, respectively. The Company's top 10 customers accounted for 44% of net revenues in fiscal year 2009, 45% of net revenues in fiscal year 2008 and 50% of net revenues for fiscal year 2007. Pasta revenues consisted of 48% Retail and 52% Institutional for fiscal year 2009, 44% Retail and 56% Institutional for fiscal year 2008, and 49% Retail and 51% Institutional for fiscal year 2007.

We do not have long-term supply contracts with a substantial number of our customers. The Company sells most of its pasta under "purchase orders", whereby the customer and the Company are not obligated for any pre-determined length of time, or under pricing commitments agreed to with terms of one year or less.

Series D Delivery Preferred Stock Delivery Rights

Each share of Series D Delivery Preferred Stock of the Company gives its holder the privilege, but not the obligation, to deliver one bushel of durum wheat to the Company each fiscal year on a "first-come, first-served" basis. From time to time the Company may post notices to the market on its Web site (holders may also telephone the Company for information on market notices) for the purchase of durum wheat. During the 24-hour period following the posting of any market notice and to the extent that the Company's durum wheat requirements as set forth in the market notice have not been fulfilled by other holders of Series D Delivery Preferred Stock, holders of Series D Delivery Preferred Stock have the right to (i) accept the Company's offer to purchase durum wheat and (ii) deliver durum wheat to the Company on such terms and conditions as are set forth in the market notice. However, in any given fiscal year of the Company, the first-come, first-served privilege to deliver durum wheat shall be exercisable to deliver one bushel of durum wheat only once with respect to each share of Series D Delivery Preferred Stock. During the 24-hour period following the posting of any market notice, the Company will not purchase durum wheat from non-holders of Series D Delivery Preferred Stock to fulfill the Company's durum wheat requirements as set forth in the market notice. If, after the lapse of a certain amount of time (not less than one day), holders of Series D Delivery Preferred Stock have not sold to the Company all of the durum wheat requested in the notice, the Company will fulfill its remaining requirements outside of the Series D Delivery Preferred Stock delivery privilege.

Because the privilege of a holder of Series D Delivery Preferred Stock to deliver durum wheat to the Company only arises if the Company actually requires durum, the privilege is not absolute. Any and all durum wheat delivered by a holder of Series D Delivery Preferred Stock to the Company must conform to quality specifications established by the Company.

The Company purchases durum wheat primarily on the open market. Durum wheat purchases from holders of the Company's Series D Delivery Preferred Stock have been negligible.

Competition

Overview

The markets for pasta and semolina/durum wheat flour are highly competitive in most markets and geographic regions. The intensity of competition varies from time to time as a result of a number of factors, including: (1) the degree of industry capacity utilization, (2) comparative product distribution costs, (3) ability to render distinctive service to customers, (4) the price of raw materials, primarily durum wheat, and (5) a distinguishing or unique ability to provide consistent product quality in line with customer specifications. The Company believes that, in a broad sense, the most influential factor on the intensity of competitive conditions is industry capacity utilization. It should be noted that detailed information regarding pasta production is somewhat difficult to obtain, as many pasta producers are closely-held enterprises.

Competition in the Pasta Market

The pasta market is highly competitive and includes several well-established enterprises. Those competitors are primarily independent companies and, to a lesser extent, divisions or subsidiaries of other larger, food products companies. In addition, the Company competes against foreign suppliers, including Italian and Turkish enterprises, that sell pasta in the United States.

The Company markets its products in the Retail market primarily as a private label supplier. The Company's *Dakota Growers Pasta Co.* label to date has slight penetration in local area markets in the Dakotas and Minnesota and its *Pasta Sanita* label is sold in small niches ranging from the upper Midwest to select markets in other parts of the United States. *Dreamfields* pasta has maintained slightly over a 1% dollar share of the traditional grocery channel pasta market during the last year based on data from A.C. Nielsen, making it the leading pasta in the low carbohydrate pasta category.

The Company's competition in the private label retail market is primarily American Italian Pasta Company and, to a lesser extent, New World Pasta Company. These private label retail sales compete with retail branded products distributed primarily by Barilla, New World Pasta Company *(Ronzoni, San Giorgio, Creamette, American Beauty, Skinner, Prince* brands et al), American Italian Pasta Company (*Muellers, Anthony's, Golden Grain/Mission, Ronco* brands et al) and a variety of smaller domestic and imported brands.

In the Foodservice market, the Company also markets its pasta primarily as a private label supplier, including sales to three of the largest foodservice distributors in the country under their labels. The Company's main competitors in the Foodservice market are American Italian Pasta Company, A. Zerega's Sons, Inc., and Barilla, as well as foreign competitors that sell product in the United States. The Company's *Dakota Growers Pasta Co.*, *Pasta Sanita* and *Pasta Growers* foodservice brands are sold throughout the United States to independent distributors and national chain accounts. The Company has an exclusive distribution agreement with New World Pasta under which the Company is licensed to use the *Ronzoni, Prince, San Giorgio* and *Mrs. Weiss* brands in the Foodservice market.

The Company's ingredient sales have continued to grow in the past three years. The Company's top competitors in the Ingredient market include American Italian Pasta Company, Philadelphia Macaroni Co. Inc., and A. Zerega's Sons, Inc. A large portion of the Ingredient market production capacity is represented by food processors that produce pasta internally.

The competitive environment in the pasta industry depends largely on aggregate industry capacity relative to aggregate demand for pasta products. According to A.C. Nielsen (which data does not include Walmart), dry pasta retail market volumes grew at a rate of approximately 2.4% and 2.1% during the 52 and 13 week periods ending August 8, 2009, respectively, when compared to the prior year periods. Sales of private label dry pasta products accounted for much of the increase as private label volumes grew 7.0% and 12.1% for the 52 and 13 week periods ending August 8, 2009, respectively.

Competition in the Semolina and Durum Wheat Flour Market

Given the commodity nature of the market for semolina and durum flour, sales volume is largely dependent on delivered price when adequate supply conditions exist. Italgrani USA, Inc., Horizon Milling, LLC and Miller Milling collectively are believed to represent approximately 40% of total domestic durum milling capacity, while the Company's current milling operation represents about 15%. Most of the durum milling capacity in the United States is either part of an integrated pasta production facility or in an alliance with pasta manufacturers. The Company believes that the integration of its milling and pasta production facilities enables it to compete more effectively with those competitors who also have integrated facilities.

Government Regulation

Trade Policies

Governmental policies and regulations, including those impacting the amount of durum wheat imported from Canada, may affect the operations of the Company and the volume of pasta imports. United States government farm policies also affect durum plantings and thus can have a significant impact on the market price of durum.

Domestic pasta prices are also influenced by competition from foreign pasta producers, and as such, by the trade policies of both the U.S. government and foreign governments. U.S. Customs and Border Protection (Customs) has distributed antidumping and countervailing duties assessed on certain pasta imported from Italy and Turkey to affected domestic producers pursuant to the Continued Dumping and Subsidy Offset Act of 2000 (the "Offset Act"). The Company received net payments of $0.4 million, $2.2 million and $1.3 million in fiscal years 2009, 2008 and 2007, respectively, under the Offset Act. These amounts have been classified as other income. The Company cannot reasonably estimate the potential amount, if any, that it may receive under the Offset Act in future periods as any such amount will be based upon future events over which the Company has little or no control, including, but not limited to, the amount of expenditures by domestic pasta producers and the amount of antidumping and countervailing duties collected by Customs. The Act, also known as the Byrd Amendment, has been repealed and therefore, duties assessed on pasta imports after September 30, 2007 will no longer be distributed to domestic producers. However, amounts collected (whether such collections occur before or after September 30, 2007) related to duties assessed on pasta entries prior to September 30, 2007, are expected to be available for future distribution to domestic producers.

Food and Drug Administration Regulation

As a producer of products intended for human consumption, the Company's operations are subject to certain federal and state regulations, including regulations promulgated by the United States Food and Drug Administration. The Company believes that it is in material compliance with the applicable regulatory requirements.

Environmental Regulation

Dakota Growers is subject to extensive federal and state environmental laws and regulations with respect to water and air quality, solid waste disposal and odor and noise control. The Company conducts an on-going control program designed to meet these environmental laws and regulations. There are no pending regulatory enforcement actions and the Company believes that it is in substantial compliance with applicable environmental laws and regulations.

The Company 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 Company.

Intellectual Property Rights

The Company relies on a combination of trade secret, trademark law, nondisclosure agreements and technical measures to establish and protect its proprietary rights to its products and processes. The Company owns the following trademarks that have been registered with the United States Patent and Trademark Office for the sale of dry pasta: Dreamfields®, Pasta Growers®, Pasta Sanita®, Zia Briosa®, Primo Piatto® and Dakota Growers Pasta Co.®.

Research and Development

The Company supports research and development programs in North Dakota that focus on improved varieties of durum wheat. Dakota Growers has an on-staff agronomist and conducts small plot, replicated variety trial research, as well as field-scale fungicide research. In connection with plant breeders and researchers, the Company is working to develop scab-resistant, high-gluten durum varieties.

As a result of the creation of DNA Dreamfields Company, LLC and the introduction of the *Dreamfields* pasta products, the Company is investing and participating in product and manufacturing technique research beyond the scope of traditional dry pasta.

The Company, as part of its operations, maintains a modern, well-equipped laboratory facility designed primarily to evaluate and maintain high quality standards for incoming raw materials, ongoing product manufacturing, and development of new pasta shapes.

Employees

As of October 6, 2009, the Company had 439 full time employees, 140 of which are covered by collective bargaining agreements at its Primo Piatto, Inc. subsidiary. These collective bargaining agreements expire on December 1, 2010 and September 30, 2011. The Company considers its employee relations to be very good.

Available Information

SEC Filings

The Company's Internet website address is *www.dakotagrowers.com*. We make available, free of charge through the "Investor Relations" portion of our website, the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "1934 Act") as soon as reasonably practicable after we electronically file such materials with, or furnish such materials to, the Securities and Exchange Commission. Reports of beneficial ownership filed pursuant to Section 16(a) of the 1934 Act are also available through our website.

The Securities and Exchange Commission maintains an Internet site that contains reports, proxy, and information statements and other information regarding issuers that file electronically with the Securities and Exchange Commission. The address of that site is *www.sec.gov*.

Corporate Governance

The Company's Code of Conduct, which is applicable to all of our employees, and the Charters of the Committees of our Board of Directors are available under the "Investor Relations" portion of the Company's website at *www.dakotagrowers.com.* Any of these items or any of the Company's filings with the Securities and Exchange Commission will be provided, without charge, upon written request to:

Investor Relations
Dakota Growers Pasta Company, Inc.
One Pasta Avenue
Carrington, ND 58421

ITEM 1A. RISK FACTORS

The following are important factors that could cause actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. Additional risks that we do not yet know of, or currently believe are immaterial, may also impair the business operations of the Company.

Consumer Trends

As the Company competes exclusively in the dry pasta industry, changes in consumer trends that result in lowered demand for dry pasta may have a material adverse effect on the Company's financial condition and results of operations.

Competitive Environment

Both the U.S. pasta industry and global pasta industry are extremely competitive. The Company competes in all dry pasta markets — retail store brand, foodservice and ingredient, with larger, well established national and international food companies. Competition within the pasta industry is largely dependent upon the relationship of overall industry production capacity to overall market demand for pasta. Some competitors may have long-term, high volume contracts, which guarantee a specified amount of volume over the term of the contract. Other competitors have retail brand equity and larger amounts of marketing dollars to compete against imported and store brand products. The competitive environment has in the past, and may in the future, put pressure on the Company's profitability and its ability to maintain market share. While the Company has and will continue to apply, where possible, cost saving measures in an effort to remain competitive, there is no guarantee that the Company can operate profitably in the future.

No Public Market for Shares of the Company's Common Stock and Preferred Stock

No established public trading market currently exists for the shares of Common Stock and Preferred Stock of the Company, and an active trading market may never develop. The Company maintains no obligation to seek or to obtain a listing on a national market. As a result, you may not be able to readily resell your shares in the Company.

Technology

The Company believes that its overall commitment to maintaining and upgrading pasta manufacturing, milling and packaging equipment is necessary to keep a competitive edge in the pasta industry. In addition, it also acknowledges that ongoing computer system upgrades to better service the demands of its customers are important to long-term success and profitability. The Company may be negatively impacted if its information technology systems fail to perform adequately.

Pasta, Semolina, Mill By-Product Prices; Durum Wheat and Other Input Costs

The Company's profitability is directly related to the market price of dry pasta, semolina, durum wheat and mill feed by-products. The supply and price of durum wheat are subject to market conditions and are influenced by many factors beyond the Company's control including weather patterns affecting durum wheat production, governmental programs and regulations, insects, and plant diseases. Such volatility with respect to the price of the basic raw material for the Company's products leaves the Company subject to wide variation in its costs from year to year. Durum market prices increased dramatically during fiscal year 2008 but have decreased and stabilized during fiscal year 2009. Future increases in durum costs could have a material adverse effect on operating profits unless we are able to pass cost increases on to our customers. By-products of the milling process compete with other feed products, and fluctuate significantly in price with the availability of these competing feed products.

Increases in other input costs, such as packaging materials, ingredients and energy costs (including transportation costs), could adversely affect us. The costs of packaging materials, ingredients and energy have varied widely in recent years, and future changes in such costs may cause our results of operations and our operating margins to fluctuate significantly.

Changes in sales prices of our products often lag behind changes in input costs. Competitive pressures may also limit our ability to increase sales prices timely in response to higher input costs. If the Company is unable to increase sales prices to offset increases in raw materials, packaging, energy costs or other input costs, operating margins and profits could be materially adversely affected.

Product Concentration

The Company competes almost exclusively in the dry pasta industry and related flours and by-product markets. Any decline in pricing or demand for dry pasta could have a material adverse effect on the Company's financial condition and results of operations.

Product Liability

The sale of food products for human consumption involves the risk of injury to consumers. These injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, aflatoxin and other agents, or residues introduced during the growing, storage, handling or transportation phases. The Company has never been involved in a product liability lawsuit. The Company is subject to U.S. Food and Drug Administration inspection and regulations and we believe the Company's facilities comply in all material respects with all applicable laws and regulations, but we cannot be certain that we will not be subject to claims or lawsuits in the future for injuries relating to the consumption of the Company's products. The Company carries insurance for product liability claims related to its products and for the costs related to product recalls. However, we cannot be certain that the Company will not incur claims or liabilities for which it is not insured or that exceed the amount of its insurance coverage.

Product Recall

We may need to recall some of our products if they become adulterated, infested, misbranded or mislabeled. A widespread product recall could cause products to be unavailable for a period of time and result in a loss of consumer confidence in our food products and could have a material adverse effect on our business. We carry insurance for product recall; however, our insurance coverage may not be adequate. In addition, because we often indemnify our customers for costs related to product recalls, we could be subject to additional expenses that may not be covered by insurance and could have a material adverse impact on business, results of operations, and financial condition.

Government Regulation and Trade Policies

Dakota Growers is subject to extensive federal and state environmental laws and regulations with respect to water and air quality, solid-waste disposal and odor and noise control. The Company conducts an on-going program designed to comply with these laws and regulations. There are no pending regulatory enforcement actions against the Company, and the Company believes that it currently is and will continue to be in substantial compliance with all applicable environmental laws and regulations.

As a producer of products intended for human consumption, the Company's operations are subject to certain federal and state regulations, including regulations promulgated by the U.S. Food and Drug Administration. The Company believes that it is in material compliance with all applicable regulatory requirements relating to food quality and safety.

The operations of the Company may be affected by governmental trade policies and regulations, including those impacting the amount of durum wheat imported from Canada. Domestic pasta prices are also influenced by competition from foreign pasta producers, and as such, by the trade policies of both the U.S. government and foreign governments.

If existing anti-dumping measures imposed against certain foreign imports terminate, the Company will face increased competition from foreign companies and profit margins or market share may be adversely affected. Anti-dumping and countervailing duties on certain Italian and Turkish imports imposed by the Department of Commerce in 1996 enable us and our domestic competitors to compete more favorably against Italian and Turkish producers in the U.S. pasta market. In September 2007, the U.S. International Trade Commission extended the antidumping and countervailing duty orders for an additional five years through 2011. If the anti-dumping and countervailing duty orders are repealed or foreign producers sell competing products in the United States at prices lower than ours or enter the U.S. market by establishing production facilities in the United States, the result would further increase competition in the U.S. pasta market. We may be unable to compete effectively with these competitors. This could have a material adverse effect on our business, financial condition and results of operations.

Intangible Assets

Goodwill is tested for impairment annually or if events or changes in circumstances indicate that the asset might be impaired. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Our estimate of fair value is determined based on a discounted cash flow model using inputs including projected revenues and expenses, discount rates and other factors. We also have amortizable intangible assets consisting of covenants not to compete and a technology license. While we currently believe that our goodwill and amortizable intangible assets are not impaired, a determination requiring the write-off of a significant portion of our intangible assets would have a material negative impact on our consolidated results of operations and net worth.

Restrictive Loan Covenants

The Company's loan agreements with CoBank and institutional investors obligate the Company to maintain or achieve certain amounts of equity and working capital and achieve certain financial ratios. The failure to comply with the various loan covenants may result in interest rate penalties, restrict the Company's corporate activities or result in a default by the Company which may have a material adverse effect on the Company's liquidity.

Board of Directors Discretion Regarding Dividends

The Board of Directors of the Company has absolute discretion to determine the manner and amount of payment of dividends on shares of Common Stock and, subject to certain exceptions, Preferred Stock.

ITEM 2. PROPERTIES

Dakota Growers owns and operates a milling facility in North Dakota, and pasta production plants in North Dakota and Minnesota. The Company currently has annual capacity to grind in excess of 12 million bushels of grain and to produce approximately 500 million pounds of pasta. The Company is in the process of expanding its Carrington facility, which will increase pasta production capacity by approximately 60 million pounds when completed.

The Company owns the warehouse facilities at the pasta plants. These facilities are supplemented by third party warehouses in California, Kansas, Illinois, Missouri, Minnesota, New York, North Dakota, Oregon, Ohio and Washington where inventory is maintained and redistributed for the needs of specific customers.

ITEM 3. LEGAL PROCEEDINGS

From time to time and in the ordinary course of its business, the Company is named as a defendant in legal proceedings related to various issues, including worker's compensation claims, tort claims and contractual disputes. Other than such routine litigation, the Company is not currently involved in any material legal proceedings. In addition, the Company is not aware of other potential claims that could result in the commencement of legal proceedings. The Company carries insurance that provides protection against certain types of claims, up to the policy limits of the Company's insurance.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our security holders during the fourth quarter of fiscal year 2009.

PART II.

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

There is no established public trading market for the Company's Common Stock or Preferred Stock. As of October 14, 2009 there were 1,241 holders of the Company's Common Stock.

Ownership of shares of Common Stock may be transferred subject only to the requirements of the applicable securities laws. Holders of Series D Delivery Preferred Stock have a delivery right, but not a delivery obligation, to sell durum to the Company. The Company must approve all transfers of shares of Series D Delivery Preferred Stock.

Variable Investment Advisers, Inc. (VIA) has established an Alternative Trading System (ATS) to facilitate trading of the Company's Common Stock. We do not implicitly or explicitly endorse VIA or their web site, and we are not responsible for products and services that VIA provides. We do not stand behind VIA or receive any fees from them in connection with the services offered on their web site. A link to the web site of VIA is available through the "Investor Relations" portion of the Company's website at *www.dakotagrowers.com*. VIA has been instructed by the Company to suspend trading on the ATS until further notice as the Company considers strategic alternatives.

Trading volumes of the Company's Common Stock have been minimal to date and trading on the ATS remains suspended.

On February 9, 2007 the Company entered into a Stock Purchase Agreement ("Agreement") with MVC Capital, Inc. ("MVC") and La Bella Holdings, LLC ("LBH"). On May 10, 2007, the Company completed the transactions pursuant to the Agreement, in which MVC acquired 1,000,000 shares of Series F Convertible Preferred Stock and LBH acquired 1,000,000 shares of common stock for a price of $10 per share. The proceeds from the sale of shares to MVC and LBH were used to fund, in part, a repurchase of 3,917,519 shares of common stock at $10 per share from the Company's stockholders (other than MVC and LBH) pursuant to a tender offer made to stockholders. The Company completed the purchase of shares pursuant to the tender offer in May 2007. Based on the manner of sale and representations of MVC and LBH in the Stock Purchase Agreement, including a representation by each as to its status as an accredited investor within the meaning of Rule 501 of Regulation D, the Company believes that the issuance of securities to MVC Capital, Inc. and La Bella Holdings, LLC were private placements not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Regulation D thereof. The Company therefore believes the offer and sale of the shares to MVC and LBH were exempt from the registration requirements of the Securities Act.

During April 2007, two of the Company's employees exercised options for the purchase of 5,550 shares of the Company's common stock. The aggregate consideration received by the Company for the issuance of those shares was $22,200. The shares were issued in private placement transactions exempt from the registration requirements of the Securities Act, pursuant to Section 4(2) of the Securities Act.

During April 2009, one of the Company's employees exercised options for the purchase of 10,650 shares of the Company's common stock. The aggregate consideration received by the Company for the issuance of those shares was $49,690. The shares were issued in private placement transactions exempt from the registration requirements of the Securities Act, pursuant to Section 4(2) of the Securities Act.

On December 18, 2008, the Company's Board of Directors authorized the payment of non-periodic dividends of 1 cent per share on its Series D Delivery Preferred Stock, 20 cents per share on its Common Stock and 20 cents per share on its Series F Convertible Preferred Stock, payable on January 7, 2009 to shareholders of record as of December 26, 2008.

On December 20, 2007, the Company's Board of Directors authorized the payment of non-periodic dividends of 1 cent per share on its Series D Delivery Preferred Stock, 16 cents per share on its Common Stock and 16 cents per share on its Series F Convertible Preferred Stock, payable on January 15, 2008 to shareholders of record as of December 31, 2007.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below for the fiscal years ended July 31, 2005 through 2009 has been derived from the audited consolidated financial statements of the Company.

Effective May 1, 2005, the Company began to include DNA Dreamfields Company, LLC in its consolidated financial statements. See Note 2 of the consolidated financial statements for additional information.

The selected financial data set forth in this section should be read in conjunction with the Company's consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report.

SELECTED FINANCIAL DATA
(In thousands, except per share data and ratios)

	Fiscal year ended July 31				
	2009	2008	2007	2006	2005
INCOME STATEMENT DATA					
Net revenues	$ 297,438	$ 280,199	$ 191,062	$ 171,509	$ 155,619
Cost of goods sold	248,792	246,709	165,575	148,904	136,179
Gross profit	48,646	33,490	25,487	22,605	19,440
Marketing, general and administrative expenses	19,205	17,450	12,973	14,190	16,507
Operating income	29,441	16,040	12,514	8,415	2,933
Other expense - net	(1,418)	(1,571)	(2,199)	(2,143)	(1,817)
Noncontrolling interests	—	202	52	894	3,003
Income before income taxes	28,023	14,671	10,367	7,166	4,119
Income tax expense	10,342	5,380	3,759	2,793	1,606
Net income	17,681	9,291	6,608	4,373	2,513
Dividends on preferred stock	326	283	113	451	—
Net earnings on common stock	$ 17,355	$ 9,008	$ 6,495	$ 3,922	$ 2,513
Net earnings per common share - Basic	$ 1.70	$ 0.88	$ 0.52	$ 0.30	$ 0.19
Weighted average common shares outstanding - Basic	10,196	10,192	12,501	13,169	13,169
Cash dividends declared per common share	$ 0.20	$ 0.16	$ 0.14	$ 0.04	$ —

SELECTED FINANCIAL DATA - continued
(In thousands, except per share data and ratios)

	As of July 31				
	2009	2008	2007	2006	2005
BALANCE SHEET DATA					
Cash	$ 1,315	$ 125	$ 89	$ 343	$ 229
Working capital	35,826	21,351	20,800	23,273	20,156
Total assets	133,295	162,968	143,166	134,249	135,130
Long-term debt (excluding current maturities)	25,418	31,174	40,681	28,545	25,385
Redeemable preferred stock	—	—	—	—	7
Stockholders' equity	72,166	56,687	49,150	64,592	61,132
OPERATING DATA					
Ratio of long-term debt to stockholders' equity	.35x	.55x	.83x	.44x	.42x

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

The following discussion contains forward-looking statements. Such statements are based on assumptions by the Company's management, as of the date of this report, and are subject to risks and uncertainties, including those discussed under "Risk Factors" in this report, that could cause actual results to differ materially from those anticipated. The Company cautions readers not to place undue reliance on such forward-looking statements.

Summary

Dakota Growers is the third largest pasta manufacturer in North America. The Company has two production plants, located in Carrington, North Dakota and New Hope, Minnesota and generates a majority of its revenues from manufacturing pasta for the retail store brand and institutional markets, although we serve and continually look for opportunities in the entire dry pasta industry. Our identity preservation program provides our customers food safety, traceability and quality from the field to the plate. The Company also has a certified organic program and markets organic pasta into the retail, foodservice, and ingredient markets. The Company competes through low cost production, high product quality, flexibility and customer service.

Net income for the year ended July 31, 2009 totaled $17.7 million compared to net income of $9.3 million for the year ended July 31, 2008. Net earnings per basic common share, after the effect of dividends paid on preferred stock, were $1.70 per share for the year ended July 31, 2009 compared to $0.88 for the year ended July 31, 2008. The Company recorded a $1.7 million non-recurring pre-tax charge in fiscal year 2008 to reflect the costs associated with the withdrawal from the Central States Southeast and Southwest Areas Pension Fund. The Company paid dividends of $0.01 per share on its Series D Delivery Preferred Stock, $0.20 per share on its Series F Convertible Preferred Stock and $0.20 per share on its Common Stock during the second quarter of fiscal year 2009 and $0.01 per share on its Series D Delivery Preferred Stock, $0.16 per share on its Series F Convertible Preferred Stock and $0.16 per share on its Common Stock during the second quarter of fiscal year 2008.

The Company's net revenues increased 6.2% for the year ended July 31, 2009 when compared to the year ended July 31, 2008. The increase resulted primarily from higher pasta per unit selling prices and, to a lesser extent, higher sales volumes.

Effective September 21, 2007, the Company acquired the remaining units of DNA Dreamfields, increasing its ownership to 100%. Pursuant to the terms of the purchase agreement, the Company acquired the remaining units for an aggregate purchase price of $2.2 million. In conjunction with this purchase, the Company eliminated the noncontrolling interests and reduced recorded goodwill associated with DNA Dreamfields in the Company's first quarter of fiscal year 2008.

The Company believes that the *Dreamfields* line of products is well suited for consumers seeking healthy eating alternatives. *Dreamfields* pasta has a 65% lower glycemic index than regular pasta as well as 5 grams of digestible carbs and 5 grams of fiber per serving. The *Dreamfields* pasta products carry a higher selling price and higher profit margins than traditional pasta.

As the trend toward high fiber products developed, some of the low carbohydrate consumption was displaced. While still small relative to the total pasta category, the consumption of these whole wheat/whole grain products continues to grow. *Dreamfields* pasta offers fiber benefits similar to the levels of other whole wheat/whole grain pastas while maintaining the integrity of the taste and low carbohydrate traits. Dakota Growers also manufactures and sells traditional whole wheat/whole grain pastas.

The cost of production of dry pasta is significantly impacted by changes in durum wheat market prices, which have varied widely in recent years. The Company attempts to manage the risk associated with durum wheat cost fluctuations through cost pass-through mechanisms with our customers and forward purchase contracts for durum

wheat. Volatility with respect to the price of the basic raw material for the Company's products leaves it subject to wide variation in its costs from year to year. As a result, factors which impact the size and quality of the durum wheat crop and the availability of such wheat in the United States and Canada can have a material adverse impact on the Company. Those factors include such variables as producer strategies, the weather in durum wheat production areas in the United States, Canada and other parts of the world, and import and export policies and regulations. Durum market prices escalated during fiscal years 2007 and 2008, but have decreased in fiscal year 2009 from historically high levels.

Critical Accounting Policies

The accompanying discussion and analysis of the Company's results of operations and financial condition are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments may require adjustment. For a complete description of the Company's significant accounting policies, please see Note 1 to the consolidated financial statements. Our critical accounting policies are those that have meaningful impact on the reporting of our financial condition and results, and that require significant management judgment and estimates. These policies include our accounting for (a) allowance for doubtful accounts, (b) inventory valuation, (c) asset impairment, and (d) income taxes.

Allowance for Doubtful Accounts

We evaluate the collectability of our accounts receivable based on a combination of factors. In cases where we are aware of circumstances that may impair a specific customer's ability to meet its financial obligations to us, we record a specific allowance against amounts due to us, and thereby reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize allowances for doubtful accounts based on the length of time the receivables are past due and our historical experience. If the financial condition of our customers would deteriorate, additional allowances may be required in the future which could have an adverse impact on our future operating results.

Inventory Valuation

Inventories are stated at the lower of cost or market, determined on a first-in, first-out (FIFO) basis, using product specific standard costs. The Company analyzes variances between actual manufacturing costs incurred and amounts absorbed at inventory standard costs. Inventory valuations are adjusted for these variances as applicable. The Company regularly evaluates its inventories and recognizes inventory allowances for discontinued and slow-moving inventories based upon these evaluations.

Asset Impairment

We are required to evaluate our long-lived assets, including goodwill, for impairment and write down the value of any assets if they are determined to be impaired. Evaluating the impairment of long-lived assets involves management judgment in estimating the fair values and future cash flows related to these assets. The Company used a discounted cash flow analysis in evaluating goodwill for impairment in fiscal years 2009 and 2008 and determined that no impairment charges were necessary. Future events could cause management to conclude that impairment indicators exist and that the value of certain long-lived assets is impaired.

Income Taxes

In determining income (loss) for financial statement purposes, management must make certain estimates and judgments in calculating tax liabilities and in determining the recoverability of certain deferred tax assets. Deferred tax assets must be reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. Management believes it is likely that the deferred tax assets as of July 31, 2009 will be realized through the generation of future taxable income and tax planning strategies.

Results of Operations.

Comparison of Fiscal Years ended July 31, 2009 and 2008

Net Revenues. Net revenues increased $17.2 million, or 6.2%, to $297.4 million for the year ended July 31, 2009, from $280.2 million for the year ended July 31, 2008. The increase resulted primarily from higher per unit selling prices associated with the pass through of higher durum costs as well as higher pasta sales volumes in the retail and ingredient markets.

Revenues from the retail market, a portion of which includes co-pack and governmental sales, increased $22.1 million, or 20.3%, for the year ended July 31, 2009 due to a 14.2% increase in average selling prices and a 5.3 % increase in volume. Foodservice revenues decreased $1.3 million, or 1.8%, for the year ended July 31, 2009 due to a 5.3% decrease in volume offset by a 3.7% increase in average selling prices. Ingredient revenues increased $6.5 million, or 9.5%, due to a 5.0% increase in volume and a 4.3% increase in average selling price.

The Company markets semolina production in excess of its own requirements as well as durum wheat flour, other flour blends and by-products of the durum milling process. Revenues from mill product sales for the year ended July 31, 2009 totaled $23.8 million, a decrease of $10.1 million from the prior year. The decline resulted primarily from a decrease in sales volumes.

Cost of Goods Sold. Cost of goods sold totaled $248.8 million for the year ended July 31, 2009, an increase of 0.8% compared to the $246.7 million reported for the year ended July 31, 2008. The increase was primarily due to an increase in sales volumes, offset by lower durum costs. Gross profit as a percentage of net revenues increased to 16.4% in fiscal year 2009 compared to 12.0% in fiscal year 2008.

The Company reached an agreement on January 16, 2008 with the Teamsters Local No. 120, affiliated with the International Brotherhood of Teamsters, on a three-year contract covering the period from December 1, 2007 through December 1, 2010. The contract allowed the Company to withdraw employees from the Central States Southeast and Southwest Areas Pension Fund (the "Fund"), a multi-employer pension plan. The withdrawal liability totaled $1,573,000 with an additional $124,000 payment into the Company's 401(k) plan for non-vested employee amounts in the Fund. The Company recorded a $1,697,000 non-recurring pre-tax charge for the year ended July 31, 2008 to reflect these costs associated with the withdrawal from the Fund.

Marketing, General and Administrative ("MG&A") Expenses. MG&A expenses increased 10%, to $19.2 million for the year ended July 31, 2009, from $17.5 million for the year ended July 31, 2008. The increase was primarily related to higher brokerage commission costs associated with higher revenues as well as increased compensation costs and higher professional fees. MG&A expenses as a percentage of net revenues increased to 6.5% for the year ended July 31, 2009, compared to 6.2% for the year ended July 31, 2008.

Interest Expense. Interest expense for the year ended July 31, 2009 totaled $1.4 million, down $2.2 million from $3.6 million for the year ended July 31, 2008. The decrease was related to lower interest rates, lower outstanding debt and higher patronage refunds. Cash and equity patronage refunds received from CoBank totaling $435,000 and $225,000 have been netted against interest expense for the years ended July 31, 2009 and 2008, respectively.

Loss on Disposition of Property, Equipment and Other Assets. The Company incurred losses on disposition of $38,000 and $94,000 during fiscal years 2009 and 2008, respectively. The losses were related to retirements of certain equipment in conjunction with capital projects.

Other Income, net. Other income totaled $27,000 for the year ended July 31, 2009 and $2.1 million for the year ended July 31, 2008. U.S. Customs and Border Protection ("Customs") has distributed antidumping and countervailing duties assessed on certain pasta imported from Italy and Turkey to affected domestic producers pursuant to the Continued Dumping and Subsidy Offset Act of 2000 (the "Offset Act"), which was enacted in October 2000. The Company received net payments in the amount of $0.4 million and $2.2 million in fiscal years 2009 and 2008, respectively, under the Offset Act. These amounts have been classified as other income. The Company cannot reasonably estimate the potential amount, if any, that it may receive under the Offset Act in future periods as any such amount will be based upon future events over which the Company has little or no control, including but not limited to federal legislation, the amount of expenditures by domestic pasta producers and the amount of antidumping and countervailing duties collected by Customs. The Act, also known as the Byrd Amendment, has been repealed and therefore, duties assessed on pasta imports after September 30, 2007 will no longer be distributed to domestic producers. However, amounts collected (whether such collections occur before or after September 30, 2007) related to duties assessed on pasta entries prior to September 30, 2007, are expected to be available for future distribution to domestic producers.

Noncontrolling Interests. Noncontrolling interests reflects the portion of the DNA Dreamfields net loss allocable to the other members of DNA Dreamfields. The loss allocated to those other members totaled $0.2 million for the year ended July 31, 2008.

Income Taxes. Income tax expense for the years ended July 31, 2009 and 2008 totaled $10.3 million and $5.4 million, respectively, reflecting an effective corporate income tax rate of approximately 36.9% and 36.7%, respectively.

Net Income. Net income for the year ended July 31, 2009 totaled $17.7 million, an increase of $8.4 million compared to net income of $9.3 million for the year ended July 31, 2008. Net earnings available to common shareholders for the years ended July 31, 2009 and 2008 totaled $17.4 million and $9.0 million, respectively, after reducing net income for dividends declared on preferred stock.

Comparison of Fiscal Years ended July 31, 2008 and 2007

Net Revenues. Net revenues increased $89.1 million, or 46.7%, to $280.2 million for the year ended July 31, 2008, from $191.1 million for the year ended July 31, 2007. The increase resulted primarily from higher per unit selling prices associated with the pass through of higher durum costs. Higher pasta sales volumes in the ingredient market and higher mill sales also contributed to the increase.

Revenues from the retail market, a portion of which includes co-pack and governmental sales, increased $23.0 million, or 26.6%, for the year ended July 31, 2008 due to a 35.2% increase in average selling prices offset by a 6.4% decrease in volume. Foodservice revenues increased $13.8 million, or 25.4%, for the year ended July 31, 2008 due to a 33.5% increase in average selling prices offset by a 6.0% decrease in volume. Ingredient revenues increased $33.8 million, or 95.6%, due to a 56.3% increase in average selling prices and a 25.2% increase in volume.

The Company markets semolina production in excess of its own requirements as well as durum wheat flour, other flour blends and by-products of the durum milling process. Revenues from mill product sales for the year ended July 31, 2008 totaled $33.9 million, an increase of $18.6 million from the prior year. The increase is due to increases in both sales volumes and per unit selling prices.

Cost of Goods Sold. Cost of goods sold totaled $246.7 million for the year ended July 31, 2008, an increase of 49.0% compared to the $165.6 million reported for the year ended July 31, 2007. The increase was primarily due to higher durum costs and, to a lesser extent, increased costs for other production inputs such as eggs. Gross

profit as a percentage of net revenues decreased to 12.0% in fiscal year 2008 compared to 13.3% in fiscal year 2007 as higher revenues largely resulted from the pass through of higher durum costs.

The Company reached an agreement on January 16, 2008 with the Teamsters Local No. 120, affiliated with the International Brotherhood of Teamsters, on a three-year contract covering the period from December 1, 2007 through December 1, 2010. The contract allowed the Company to withdraw employees from the Central States Southeast and Southwest Areas Pension Fund, a multi-employer pension plan. The withdrawal liability totaled $1,573,000 with an additional $124,000 payment into the Company's 401(k) plan for non-vested employee amounts in the Fund. The Company recorded a $1,697,000 non-recurring pre-tax charge for the year ended July 31, 2008 to reflect these costs associated with the withdrawal from the Fund.

Marketing, General and Administrative ("MG&A") Expenses. MG&A expenses increased $4.5 million, or 34.5%, to $17.5 million for the year ended July 31, 2008, from $13.0 million for the year ended July 31, 2007. The increase was primarily due to higher consumer advertising costs associated with *Dreamfields* pasta products and to a lesser extent, higher brokerage commission costs. MG&A expenses as a percentage of net revenues decreased from 6.8% to 6.2%.

Interest Expense. Interest expense for the year ended July 31, 2008 totaled $3.6 million, up $0.8 million from $2.8 million for the year ended July 31, 2007. The increase is primarily related to higher outstanding debt levels resulting from debt incurred to finance a portion of the Company's tender offer for its shares that was completed in May 2007. Cash and equity patronage refunds received from CoBank totaling $225,000 and $132,000 have been netted against interest expense for the years ended July 31, 2008 and 2007, respectively.

Loss on Disposition of Property, Equipment and Other Assets. The Company incurred losses on disposition of $0.1 million and $0.6 million during fiscal years 2008 and 2007, respectively. The losses were related to retirements of certain equipment in conjunction with capital projects at the New Hope, Minnesota facility.

Other Income, net. Other income totaled $2.1 million for the year ended July 31, 2008 and $1.2 million for the year ended July 31, 2007. The Company received net payments in the amount of $2.2 million and $1.3 million in fiscal years 2008 and 2007, respectively, under the Offset Act.

Noncontrolling Interests. Noncontrolling interests reflects the portion of the DNA Dreamfields net loss allocable to the other members of DNA Dreamfields. The loss allocated to those other members totaled $0.2 million and $0.1 million for the years ended July 31, 2008 and 2007, respectively.

Income Taxes. Income tax expense for the years ended July 31, 2008 and 2007 totaled $5.4 million and $3.8 million, respectively, reflecting an effective corporate income tax rate of approximately 36.7% and 36.3%, respectively.

Net Income. Net income for the year ended July 31, 2008 totaled $9.3 million, an increase of $2.7 million compared to net income of $6.6 million for the year ended July 31, 2007. Net earnings available to common shareholders for the years ended July 31, 2008 and 2007 totaled $9.0 million and $6.5 million, respectively, after reducing net income for dividends declared on preferred stock.

Liquidity and Capital Resources

The Company's primary sources of liquidity are cash provided by operations and borrowings under its revolving credit facility. Net working capital as of July 31, 2009 was $35.8 million compared to $21.4 million as of July 31, 2008.

The Company has a $45 million revolving credit facility with CoBank that extends through January 13, 2010 and is collateralized by all assets of the Company. Interest on the revolving line of credit is at the 7-day LIBOR rate subject to performance adjustments depending upon the Company's ratio of total debt to earnings before interest, taxes, depreciation and amortization or "EBITDA." The higher the ratio the higher the adjustment to the

7-day LIBOR rate within a range of 200 to 300 basis points above the 7-day LIBOR rate. Fixed interest rate options are also available. The balances outstanding under the revolving credit arrangements totaled $0 and $25.8 million as of July 31, 2009 and 2008, respectively. The Company had $45 million and $19.2 million available for borrowings under the revolving line of credit as of July 31, 2009 and 2008, respectively.

Balances outstanding under term loans with CoBank totaled $28.2 million and $33.8 million as of July 31, 2009 and 2008, respectively. No further borrowings are available under these term loans. During the second quarter of fiscal year 2009, the Company entered into amendments to its existing CoBank term loan agreements with respect to debt previously incurred by the Company. These modifications increased the performance pricing adjustment schedule by 25 basis points.

The Master Loan Agreement with CoBank contains certain restrictive covenants including, but not limited to, financial covenants which require the Company to maintain, at the end of each of the Company's fiscal quarters, a minimum current ratio of 1.20 to 1.00, a maximum total debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") of 4.25 to 1.00, a minimum fixed charge ratio of 1.15 to 1.00, and a minimum tangible net worth level of at least $25 million adjusted for subsequent earnings and capital contributions.

The Company's long-term financing is also provided through secured notes held by institutional investors. The Note Purchase Agreement (as amended) with the institutional investors requires the Company to maintain the following: (a) consolidated net worth of not less than the sum of (1) $27,000,000 plus (2) an aggregate amount equal to 30% of consolidated net income for each completed fiscal year beginning with the fiscal year ended July 31, 1998, (b) a trailing twelve month ratio of consolidated cash flow to consolidated fixed charges of not less than 2.0 to 1.0 at the end of each fiscal quarter, and (c) a ratio of consolidated funded debt to consolidated cash flow ratio not to exceed 3.0 to 1.0 determined at the end of each fiscal quarter for the immediately preceding four fiscal quarters. The Notes (as amended) require the rate of interest on the unpaid balance be increased by one percent at any time that either (a) the ratio of the Company's consolidated funded debt to consolidated cash flow is greater than 3.0 to 1.0 as of the end of each fiscal quarter for the immediately preceding four fiscal quarters or (b) the Securities Valuation Office of the National Association of Insurance Commissioners has not assigned a designation category of "1" or "2" to the Notes.

The Company was in compliance with all debt covenants as of July 31, 2009 and the date of this filing.

Net cash from operations totaled $44.0 million and $6.0 million for the year ended July 31, 2009 and July 31, 2007, respectively. Net cash used by operations totaled $3.7 million for the year ended July 31, 2008. The $47.7 million net increase from fiscal year 2008 to 2009 was primarily attributable to an increase in net income along with decreases in receivables and inventories. The decrease in accounts receivable, inventories and accounts payable as of July 31, 2009 was driven by working capital changes associated with lower raw material costs and related sales price adjustments.

Net cash used for investing activities totaled $2.1 million, $4.6 million, and $5.6 million for the years ended July 31, 2009, 2008 and 2007, respectively. A majority of the net cash used for fiscal year 2009 related to fixed asset expenditures. A majority of the net cashed used for fiscal year 2008 related to fixed asset expenditures and the purchase of the remaining interests in DNA Dreamfields. A majority of the net cash used for investing activities for the year ended July 31, 2007 related to capital expenditures for the New Hope facility upgrade project. The Company is currently undertaking an estimated $10 million capital project at its Carrington facility. As of July 31, 2009, the Company had expended $0.8 million in conjunction with this project, and had entered into additional commitments for building construction and pasta equipment totaling $4.5 million as of July 31, 2009. These costs are expected to be paid within one year.

Net cash used for financing activities totaled $40.7 million and $0.7 million for the years ended July 31, 2009 and July 31, 2007, respectively. Net cash from financing activities totaled $8.3 million for the year ended July 31, 2008. The $40.7 million of net cash used by financing activities for the year ended July 31, 2009 related to payments on short-term notes payable, long-term debt and dividends. The $8.3 million of net cash from financing activities for the year ended July 31, 2008 included $18.4 million in net borrowings under the revolving credit

facility with CoBank offset by $9.5 million for scheduled long-term debt principal payments. The $0.7 million of net cash used for financing activities for the year ended July 31, 2007 related to payments on long-term debt and dividends. Also included are the purchase of common stock and the costs associated with issuing and purchasing stock in conjunction with the tender offer in fiscal year 2007. These outlays were offset by the proceeds on long-term debt and the issuance of common stock and series F preferred stock.

The following table summarizes the Company's contractual obligations as of July 31, 2009 (in thousands):

Contractual Obligations	Total	Payments Due in Less Than 1 Year	Payments Due in 1-3 Years	Payments Due in 4-5 Years	Payments Due After 5 Years
Long-term debt	$ 31,174	$ 5,756	$ 17,568	$ 7,850	$ —
Interest on long-term obligations (1)	2,040	765	1,152	123	—
Wheat purchase obligations	16,731	16,731	—	—	—
Construction obligations	4,500	4,500	—	—	—
Warehouse obligations	4,343	2,262	2,081	—	—
Operating leases	1,280	629	625	26	—
	$ 60,068	$ 30,643	$ 21,426	$ 7,999	$ —

(1) Based on interest rates as of July 31, 2009

The Company forward contracts for a certain portion of its future wheat requirements. At July 31, 2009, the Company had outstanding commitments for grain purchases totaling $16.7 million related to forward purchase contracts. These contracts are set price contracts to deliver grain to the Company's mill, and are not derivative in nature as they have no net settlement provision and are not transferable.

We believe that net cash expected to be provided by operating activities, along with amounts available under our line of credit will be sufficient to meet the Company's expected capital and liquidity requirements for the foreseeable future.

Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS 157 was initially effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position ("FSP") FAS 157-2. This FSP permits a delay in the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). In October 2008, the FASB issued FSP FAS 157-3, "Determining the Fair Value of a Financial Asset when the Market for That Asset Is Not Active," which clarifies the application of SFAS 157 for financial assets in a market that is not active. The adoption of SFAS 157 did not have a material impact on the Company's financial statements.

In February 2007, FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS

159 is effective for fiscal years beginning after November 15, 2007. The Company has elected not to apply the fair value option to the specified financial assets and liabilities, and accordingly, the adoption of SFAS No. 159 had no financial statement impact.

In December 2007, FASB issued SFAS No. 141 (Revised 2007), "Business Combinations" ("SFAS 141R"). The objective of SFAS 141R is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141R requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. SFAS 141R also requires the acquirer to recognize and measure the goodwill acquired in a business combination or a gain from a bargain purchase and how to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of SFAS 141R will have a material impact on its financial statements.

In December 2007, FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements-an Amendment of ARB No. 51" ("SFAS 160"). The objective of SFAS 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 also changes the way the consolidated income statement is presented, establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interest of the noncontrolling owners of a subsidiary. SFAS 160 is effective for financial statements issued for the fiscal years beginning on or after December 15, 2008. The Company does not expect the adoption of SFAS 160 will have a material impact on its financial statements.

In May 2008, FASB issued FASB Statement No. 162, "The Hierarchy of Generally Accepted Accounting Principles." This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles ("GAAP") in the United States. This statement became effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board ("PCAOB") amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles." The adoption of this statement did not have a material impact on our financial statements.

In April 2008, FASB issued FASB Staff Position No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets." The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under FASB Statement No. 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141R, and other U.S. generally accepted accounting principles. FSP 142-3 is effective for our interim and annual financial statements beginning in fiscal 2010. The Company is in the process of evaluating the impact, if any, that the adoption of FSP 142-3 will have on its financial statements.

In April 2009, FASB issued FASB Staff Position No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP 115-2 and 124-2"). FSP 115-2 and 124-2 amend the guidance on other-than-temporary impairment for debt securities and modifies the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. These FSPs are effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 115-2 and 124-2 did not have a material impact on our financial statements.

In April 2009, FASB issued FASB Staff Position No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying

Transactions That Are Not Orderly" ("FSP 157-4") to provide guidelines for making fair value measurements more consistent with the principles presented in SFAS 157. FSP 157-4 is applicable to all assets and liabilities (i.e. financial and nonfinancial) and provides additional authoritative guidance to determine whether a market is active or inactive or whether a transaction is distressed. FSP 157-4 is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 157-4 did not have a material impact on our financial statements.

In April 2009, FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-1 and APB 28-1"). FSP FAS 107-1 and APB 28-1 amends FASB 107, "Disclosures about Fair Value of Financial Instruments" to require disclosures about fair value of financial instruments in interim and annual financial statements. FSP FAS 107-1 and APB 28-1 is effective for periods ending after June 15, 2009. The adoption of FSP 107-1 and APB 28-1 did not have a material impact on our financial statements.

In May 2009, the FASB issued SFAS No. 165 "Subsequent Events," which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The Statement sets forth: the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for interim and annual reporting periods ending after June 15, 2009, and should be applied prospectively. The adoption of SFAS No. 165 did not have a material impact on our financial statements.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140" ("SFAS 166"), which amends the derecognition guidance in FASB Statement No. 140 and eliminates the exemption from consolidation for qualifying special-purpose entities. This statement is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009. This statement will be effective for the Company beginning in our first quarter of fiscal year 2011. The Company does not expect the adoption of SFAS 166 will have a material impact on its financial statements.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167") , which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under FASB Interpretation No. 46(R). This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2009. This statement will be effective for the Company beginning in our first quarter of fiscal year 2011. The Company does not expect the adoption of SFAS 167 will have a material impact on its financial statements.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162" ("the Codification") as the single source of authoritative nongovernmental GAAP. All existing accounting standard documents, excluding guidance from the Securities and Exchange Commission ("SEC"), will be superseded by the Codification. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become nonauthoritative. The Codification does not change GAAP, but instead introduces a new structure that will combine all authoritative standards into a comprehensive, topically organized online database. The Codification will be effective for interim or annual periods ending after September 15, 2009, and will impact the Company's financial statement disclosures beginning with the quarter ending October 31, 2009 as all future references to authoritative accounting literature will be referenced in accordance with the Codification. There will be no changes to the content of the Company's financial statements or disclosures as a result of implementing the Codification.

Off-Balance Sheet Arrangements

At July 31, 2009, the Company had no off-balance sheet arrangements that have or are likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Impact of Inflation

We experienced input cost inflation, the most significant of which related to raw material costs, in fiscal years 2008 and 2007. However, raw material costs began to decline in fiscal year 2009. We attempt to mitigate the impact of inflationary pressure through cost saving measures and price adjustments.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss to future earnings, fair values or cash flows resulting from adverse changes in interest rates, commodity prices, exchange rates, equity prices and other market changes.

The Company is exposed to market risk from changes in interest rates. For fixed rate debt, interest rate changes affect the fair value of financial instruments but do not impact earnings or cash flows. Conversely, for variable rate debt, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are held constant. A majority of the balances outstanding under the Company's current debt agreements are subject to variable interest rates.

The Company is exposed to certain fluctuations in commodity prices. The Company forward contracts for a certain portion of its future durum wheat requirements. These contracts are set price contracts to deliver grain to the Company's mill, and are not derivative in nature as they have no net settlement provision and are not transferable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF DAKOTA GROWERS PASTA COMPANY, INC.

EideBailly

CPAs & BUSINESS ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee, Board of Directors and Stockholders
Dakota Growers Pasta Company, Inc.
Carrington, North Dakota

We have audited the accompanying consolidated balance sheets of Dakota Growers Pasta Company, Inc. and Subsidiaries as of July 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years ended July 31, 2009, 2008, and 2007. Dakota Growers Pasta Company, Inc. and Subsidiaries management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dakota Growers Pasta Company, Inc. and Subsidiaries as of July 31, 2009 and 2008, and the results of its operations and its cash flows for each of the years ended July 31, 2009, 2008, and 2007, in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Fargo, North Dakota
October 29, 2009

DAKOTA GROWERS PASTA COMPANY, INC.
CONSOLIDATED BALANCE SHEETS
JULY 31, 2009 AND 2008
(In Thousands, Except Share Information)

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,315	$ 125
Trade accounts receivable, less allowance for cash discounts and doubtful accounts of $826 and $1,294, respectively	20,466	27,315
Other receivables	67	850
Inventories	33,878	51,956
Prepaid expenses	799	1,040
Deferred income taxes	947	1,053
Total current assets	57,472	82,339
PROPERTY AND EQUIPMENT		
In service	134,112	132,815
Construction in progress	975	546
	135,087	133,361
Less accumulated depreciation	(71,960)	(65,983)
Net property and equipment	63,127	67,378
INVESTMENT IN COOPERATIVE BANK	1,507	1,355
INTANGIBLE ASSETS, NET	2,387	2,590
GOODWILL	8,381	8,381
OTHER ASSETS	421	925
	$ 133,295	$ 162,968

(continued on next page)

DAKOTA GROWERS PASTA COMPANY, INC.
CONSOLIDATED BALANCE SHEETS
JULY 31, 2009 AND 2008
(In Thousands, Except Share Information)

	2009	2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Excess outstanding checks over cash on deposit	$ —	$ 3,130
Accounts payable	9,987	16,930
Accrued liabilities	5,903	5,671
Notes payable	—	25,750
Current portion of long-term debt	5,756	9,507
Total current liabilities	21,646	60,988
COMMITMENTS AND CONTINGENCIES	—	—
LONG-TERM DEBT, net of current portion	25,418	31,174
DEFERRED INCOME TAXES	14,065	14,119
Total liabilities	61,129	106,281
STOCKHOLDERS' EQUITY		
Series D delivery preferred stock, non-cumulative, $.01 par value, 11,340,841 authorized, 11,275,297 shares issued and outstanding	113	113
Series F convertible preferred stock, non-cumulative, $.01 par value, 2,100,000 shares authorized, 1,065,000 shares issued and outstanding	11	11
Common stock, $.01 par value, 75,000,000 shares authorized, 10,203,063 and 10,192,413 shares issued and outstanding as of July 31, 2009 and July 31, 2008, respectively	102	102
Additional paid-in capital	43,120	42,958
Retained earnings	28,820	13,503
Total stockholders' equity	72,166	56,687
Total liabilities and stockholders' equity	$ 133,295	$ 162,968

See Notes to Consolidated Financial Statements

DAKOTA GROWERS PASTA COMPANY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JULY 31, 2009, 2008 AND 2007
(In Thousands, Except Per Share Amounts)

	2009	2008	2007
Net revenues (net of discounts and allowances of $27,300, $26,647, and $23,953 for 2009, 2008 and 2007, respectively)	$ 297,438	$ 280,199	$ 191,062
Cost of goods sold	248,792	246,709	165,575
Gross profit	48,646	33,490	25,487
Marketing, general and administrative expenses	19,205	17,450	12,973
Operating income	29,441	16,040	12,514
Other income (expense)			
Interest expense, net	(1,407)	(3,615)	(2,772)
Loss on disposition of property, equipment and other assets	(38)	(94)	(649)
Other income, net	27	2,138	1,222
Income before noncontrolling interests and income taxes	28,023	14,469	10,315
Noncontrolling interests	—	202	52
Income before income taxes	28,023	14,671	10,367
Income tax expense	10,342	5,380	3,759
Net income	17,681	9,291	6,608
Dividends on preferred stock	326	283	113
Net earnings on common stock	$ 17,355	$ 9,008	$ 6,495
Net earnings per common share			
Basic	$ 1.70	$ 0.88	$ 0.52
Diluted	$ 1.47	$ 0.78	$ 0.50
Weighted average common shares outstanding			
Basic	10,196	10,192	12,501
Diluted	11,951	11,958	13,381
Dividends per common share	$ 0.20	$ 0.16	$ 0.14

See Notes to Consolidated Financial Statements

DAKOTA GROWERS PASTA COMPANY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED JULY 31, 2009, 2008 AND 2007
(In Thousands)

	Series D Delivery Preferred Stock		Series F Convertible Preferred Stock		Common Stock		Additional Paid-in	Retained	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Earnings	Total
BALANCE, JULY 31, 2006	11,275	$ 113	—	$ —	13,169	$ 132	$ 62,872	$ 1,475	$64,592
Dividends on common stock	—	—	—	—	—	—	—	(1,844)	(1,844)
Dividends on preferred stock	—	—	—	—	—	—	—	(113)	(113)
Stock-based employee compensation	—	—	—	—	—	—	210	—	210
Exercise of stock options	—	—	—	—	6	—	22	—	22
Issuance of common stock	—	—	—	—	1,000	10	9,990	—	10,000
Purchase of common stock	—	—	—	—	(3,918)	(39)	(39,136)	—	(39,175)
Costs associated with issuing stock	—	—	—	—	—	—	(1,150)	—	(1,150)
Issuance of series F preferred stock	—	—	1,000	10	—	—	9,990	—	10,000
Conversion of common stock to series F preferred	—	—	65	1	(65)	(1)	—	—	—
Net income for the year ended July 31, 2007	—	—	—	—	—	—	—	6,608	6,608
BALANCE, JULY 31, 2007	11,275	$ 113	1,065	$ 11	10,192	$ 102	$ 42,798	$ 6,126	$49,150
Dividends on common stock	—	—	—	—	—	—	—	(1,631)	(1,631)
Dividends on preferred stock	—	—	—	—	—	—	—	(283)	(283)
Stock-based employee compensation	—	—	—	—	—	—	160	—	160
Net income for the year ended July 31, 2008	—	—	—	—	—	—	—	9,291	9,291
BALANCE, JULY 31, 2008	11,275	$ 113	1,065	$ 11	10,192	$ 102	$ 42,958	$13,503	$56,687
Dividends on common stock	—	—	—	—	—	—	—	(2,038)	(2,038)
Dividends on preferred stock	—	—	—	—	—	—	—	(326)	(326)
Stock-based employee compensation	—	—	—	—	—	—	112	—	112
Exercise of stock options	—	—	—	—	11	—	50	—	50
Net income for the	—	—	—	—	—	—	—	17,681	17,681

year ended July 31, 2009									
BALANCE, JULY 31, 2009	11,275	$ 113	1,065	$ 11	10,203	$ 102	$ 43,120	$28,820	$72,166

See Notes to Consolidated Financial Statements

DAKOTA GROWERS PASTA COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2009, 2008 AND 2007
(In Thousands)

	2009	2008	2007
OPERATING ACTIVITIES			
Net income	$ 17,681	$ 9,291	$ 6,608
Adjustments to reconcile net income to net cash from (used for) operating activities:			
Depreciation and amortization	6,569	6,571	6,951
Undistributed patronage capital from cooperatives	(152)	(45)	(27)
Loss on disposition of property, equipment and other assets	38	94	649
Deferred income taxes	52	696	908
Stock-based employee compensation	112	160	210
Noncontrolling interests	—	(202)	(52)
Changes in assets and liabilities			
Trade receivables	6,849	(8,873)	(4,001)
Other receivables	783	(490)	(269)
Inventories	18,078	(20,627)	(5,211)
Prepaid expenses	241	349	214
Other assets	466	11	(24)
Accounts payable	(6,943)	9,578	102
Other accrued liabilities	232	(250)	(36)
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	44,006	(3,737)	6,022
INVESTING ACTIVITIES			
Purchase of interests in DNA Dreamfields Company, LLC	—	(2,232)	—
Purchases of property and equipment	(1,936)	(2,143)	(5,456)
Proceeds from sale of property, equipment and other assets	25	56	—
Other investments	—	(175)	(47)
Proceeds from cooperative bank equity retirements	—	—	232
Proceeds from other investments	—	57	116
Payments for package design costs	(204)	(116)	(433)
NET CASH USED FOR INVESTING ACTIVITIES	(2,115)	(4,553)	(5,588)

(Continued on next page)

DAKOTA GROWERS PASTA COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2009, 2008 AND 2007
(In Thousands)

	2009	2008	2007
FINANCING ACTIVITIES			
Net change in excess outstanding checks over cash on deposit	(3,130)	1,371	1,055
Net change in short-term notes payable	(25,750)	18,350	7,400
Payments on long-term debt	(9,507)	(9,481)	(6,904)
Proceeds from long-term debt	—	—	20,000
Investments by noncontrolling interests	—	—	21
Dividends paid on common stock	(2,038)	(1,631)	(1,844)
Dividends paid on preferred stock	(326)	(283)	(113)
Issuance of common stock	50	—	10,022
Issuance of series F preferred stock	—	—	10,000
Purchase of common stock	—	—	(39,175)
Costs associated with issuing and purchasing stock	—	—	(1,150)
NET CASH FROM (USED FOR) FINANCING ACTIVITIES	(40,701)	8,326	(688)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,190	36	(254)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	125	89	343
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,315	$ 125	$ 89
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash payments for			
Interest (net of amounts capitalized)	$ 1,730	$ 3,782	$ 2,780
Income taxes	$ 10,345	$ 3,752	$ 2,989
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Acquisition of pasta equipment through capital lease obligation	$ —	$ —	$ 1,750
Purchase of interests in DNA Dreamfields Company, LLC			
Goodwill reduction		$ (8,273)	
Amortizable intangibles		2,759	
Noncontrolling interests reduction		7,746	
		$ 2,232	

See Notes to Consolidated Financial Statements

DAKOTA GROWERS PASTA COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009, 2008 AND 2007

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Dakota Growers Pasta Company, Inc. ("Dakota Growers" or "the Company") is a North Dakota corporation that operates milling and pasta manufacturing facilities in Carrington, North Dakota. In addition, the Company's wholly-owned subsidiary, Primo Piatto, Inc. ("Primo Piatto"), a Minnesota corporation, operates pasta manufacturing facilities in New Hope, Minnesota. DNA Dreamfields Company, LLC ("DNA Dreamfields") became a wholly-owned subsidiary on September 21, 2007 (See Note 2).

Principles of Consolidation

The consolidated financial statements are comprised of the Company, its wholly-owned subsidiaries Primo Piatto, Inc. and DNA Dreamfields Company, LLC. All material inter-company accounts and transactions have been eliminated in the preparation of the consolidated financial statements. Our consolidated financial statements for the year ended July 31, 2009 were evaluated for subsequent events through October 29, 2009, the date the consolidated financial statements were issued.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Reclassifications have been made to the financial statements as of July 31, 2008 and for the years ended July 31, 2008 and 2007 to facilitate comparability with the statements as of and for the years ended July 31, 2009. Such reclassifications have no effect on the net result of operations.

Risks and Uncertainties

The Company attempts to minimize the effects of durum wheat cost fluctuations mainly through forward contracting and through agreements with certain customers that provide for price adjustments based on raw material cost changes. Such efforts, while undertaken to attempt to minimize the risks associated with increasing durum costs on profitability, may temporarily prevent the Company from recognizing the benefits of declining durum prices.

The Company's cash balances are maintained in various bank deposit accounts. The deposit accounts may exceed federally insured limits at various times throughout the year.

Impairment and Disposal of Long-Lived Assets

The Company accounts for impairment or disposal of long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment

to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell, and will cease to be depreciated. SFAS No. 144 also requires long-lived assets to be disposed of other than by sale to be considered as held and used until disposed of, requiring the depreciable life to be adjusted as an accounting change.

Goodwill

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," the Company does not amortize goodwill. SFAS No. 142 requires that goodwill be evaluated for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company used a discounted cash flow analysis in evaluating goodwill for impairment in fiscal years 2009 and 2008 and determined that no impairment charges were necessary.

Revenue Recognition

Revenues are recognized when risk of loss transfers, which occurs when goods are shipped. Pricing terms are final at that time. Revenues include amounts billed for products as well as any associated shipping costs billed to deliver such products.

The Company provides allowances for annual promotional programs based upon annual sales volumes. Revenues are presented net of discounts and allowances of $27,300,000, $26,647,000 and $23,953,000 for the years ended July 31, 2009, 2008 and 2007, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in financial institutions, and investments with maturities of less than 90 days.

Trade Accounts Receivable and Major Customers

The Company grants unsecured credit to certain customers who meet the Company's credit requirements. Trade accounts receivable are uncollateralized customer obligations due under normal terms and are generally non-interest bearing. Payments on trade receivables are allocated to specific invoices identified on a customer's remittance advice or, if unspecified, are generally applied to the earliest unpaid invoices. The carrying amount of the receivables is reduced by an amount that reflects management's best estimate of amounts that will not be collected. Trade accounts receivable are presented net of allowances for cash discounts and doubtful accounts, which totaled $826,000 and $1,294,000 as of July 31, 2009 and 2008, respectively.

One customer accounted for 12% and 11% of accounts receivable as of July 31, 2009 and 2008, respectively and 7%, 9% and 12% of net revenues for the years ended July 31, 2009, 2008 and 2007, respectively.

DAKOTA GROWERS PASTA COMPANY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2009, 2008 AND 2007

The following summarizes balance and activity information related to the allowance for cash discounts and doubtful accounts (in thousands):

	Balance at Beginning of Year	Charged to Costs and Expenses	Deductions from Allowance	Balance at End of Year
Allowance for cash discounts:				
Year ended July 31, 2009	$ 329	$ 3,670	$ (3,748)	$ 251
Year ended July 31, 2008	213	3,347	(3,231)	329
Year ended July 31, 2007	180	2,592	(2,559)	213
Allowance for doubtful accounts:				
Year ended July 31, 2009	$ 965	$ (293)	$ (97)	$ 575
Year ended July 31, 2008	835	232	(102)	965
Year ended July 31, 2007	900	9	(74)	835
Allowance for cash discounts and doubtful accounts:				
Year ended July 31, 2009	$ 1,294	$ 3,377	$ (3,845)	$ 826
Year ended July 31, 2008	1,048	3,579	(3,333)	1,294
Year ended July 31, 2007	1,080	2,601	(2,633)	1,048

Inventories

Inventories are stated at the lower of cost or market, determined on a first-in, first-out (FIFO) basis, using product specific standard costs. The major components of inventories as of July 31, 2009 and 2008 are as follows (in thousands):

	2009	2008
Finished goods	$ 23,206	$ 33,397
Raw materials, packaging and work-in-process	10,672	18,559
	$ 33,878	$ 51,956

Concentration of Sources of Labor

The Company's total hourly and salaried workforce consisted of approximately 439 employees, of which 32% are covered by collective bargaining agreements. The expiration dates of the union contracts are December 1, 2010 and September 30, 2011.

Property and Equipment

Property and equipment are stated at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. Interest is capitalized on construction projects of higher cost and longer duration.

The initial acquisition of land by the Company was stated at the estimated fair value of the land at acquisition. Subsequent land acquisitions are recorded at cost.Depreciation is provided for over the estimated useful lives of

the individual assets using the straight-line method. The estimated useful lives used in the computation of depreciation expense range from 3 to 40 years. Depreciation expense totaled $6,124,000, $6,061,000 and $6,007,000 for the years ended July 31, 2009, 2008 and 2007, respectively.

Details relative to property and equipment are as follows (in thousands):

	2009	2008
Land and improvements	$ 2,952	$ 2,952
Buildings	23,127	23,120
Equipment	108,033	106,743
Property and equipment in service	134,112	132,815
Construction in progress	975	546
Less accumulated depreciation	(71,960)	(65,983)
	$ 63,127	$ 67,378

Investment in Cooperative Bank

Investment in cooperative bank is stated at cost, plus unredeemed patronage refunds received in the form of capital stock.

Other Assets

The Company capitalizes package design costs, which relate to certain third party costs to design artwork and to produce die plates and negatives necessary to manufacture and print packaging materials according to Company and customer specifications. These costs are amortized ratably over three to five year periods based on estimated useful life. Minor revisions are expensed as incurred. If a product design is discontinued or replaced prior to the end of the amortization period, the remaining unamortized balance is charged to expense. Package design costs are presented net of accumulated amortization totaling $5,864,000 and $5,623,000 as of July 31, 2009 and 2008, respectively.

The breakdown of other assets, net of accumulated amortization, is as follows (in thousands):

	2009	2008
Package design costs	$ 312	$ 350
Other	109	575
	$ 421	$ 925

Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	2009	2008
Accrued promotional costs	$ 1,694	$ 1,136
Accrued income taxes	1,338	1,393
Accrued interest	146	469
Accrued freight	561	470
Other	2,164	2,203
	$ 5,903	$ 5,671

Shipping and Handling Costs

Shipping and handling costs are included in cost of goods sold upon shipment of the Company's product to its customers.

Advertising

Costs of advertising are expensed as incurred. Advertising expenses included in the consolidated income statement totaled $3,842,000, $4,523,000 and $2,089,000 (primarily related to consumer advertising for *Dreamfields* pasta products) for the years ended July 31, 2009, 2008 and 2007, respectively.

Research and Development

Research and development costs are expensed as incurred. Research and development expenses included in the consolidated income statement for the years ended July 31, 2009, 2008 and 2007 totaled $490,000, $500,000 and $602,000, respectively.

Interest Expense, Net

The Company earns patronage refunds from its patronage-based debt issued through CoBank based on its share of the net interest income earned by CoBank. These patronage refunds received are applied against interest expense.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates expected to apply when the differences are expected to reverse. Deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

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Stock Options

Effective August 1, 2005, the Company adopted Statement of Financial Accounting Standard No. 123 (revised 2004), "Share Based Payment" (SFAS No. 123R). Under SFAS No. 123R, the Company is required to recognize, as expense, the estimated fair value of all share based payments to employees. In accordance with this standard, the Company has elected to recognize the compensation cost of all service based awards on a straight-line basis over the vesting period of the award. Performance based awards are recognized ratably for each vesting tranche.

Earnings per Share

Basic Earnings per Share (EPS) is calculated by dividing net earnings on common stock by the weighted average number of common shares effective and outstanding during the period. Diluted EPS includes the effect of all potentially dilutive securities, such as options and convertible preferred stock. Prior to August 1, 2008, the Company had not included nonvested stock options in the calculation of diluted EPS. Nonvested stock options have been considered in the calculation of diluted EPS for the years ended July 31, 2009, 2008 and 2007, as presented herein.

Dilutive securities, consisting of stock options and convertible preferred stock, included in the calculation of diluted weighted average common shares totaled 1,755,000 shares, 1,766,000 shares and 880,000 shares for the years ended July 31, 2009, 2008 and 2007, respectively. The Series F Convertible Preferred Stock is included in the fully diluted EPS calculation and not included in the basic EPS calculation. As there is currently no established public trading market for the Company's common stock, the Company has assumed the proceeds from the exercise of stock options would reduce debt and, thus, interest expense for purposes of calculating diluted EPS.

The components of basic earnings per share are as follows (in thousands, except per share amounts):

	2009	2008	2007
Earnings per share - Basic			
Net income	$ 17,681	$ 9,291	$ 6,608
Less: Preferred stock dividends	(326)	(283)	(113)
Net earnings available to common stockholders	$ 17,355	$ 9,008	$ 6,495
Basic weighted-average shares outstanding	10,196	10,192	12,501
Earnings per share - Basic	$ 1.70	$ 0.88	$ 0.52

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The components of diluted earnings per share are as follows (in thousands, except per share amounts):

	2009	2008	2007
Earnings per share - Diluted			
Net earnings available to common stockholders	$ 17,355	$ 9,008	$ 6,495
Plus: Convertible preferred dividends	213	170	—
Plus: Impact of interest expense on the exercise of options (1)	51	100	147
Net earnings available to common stockholders	$ 17,619	$ 9,278	$ 6,642
Diluted weighted-average shares outstanding:			
Basic weighted-average shares outstanding	10,196	10,192	12,501
Plus: Incremental shares from assumed conversions			
Options	690	701	640
Convertible preferred shares	1,065	1,065	240
Diluted weighted-average shares outstanding	11,951	11,958	13,381
Earnings per share - Diluted	$ 1.47	$ 0.78	$ 0.50

(1) Assume funds from exercise of stock options would be used to pay down debt and therefore reduce interest expense.

Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS 157 was initially effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position ("FSP") FAS 157-2. This FSP permits a delay in the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). In October 2008, the FASB issued FSP FAS 157-3, "Determining the Fair Value of a Financial Asset when the Market for That Asset Is Not Active," which clarifies the application of SFAS 157 for financial assets in a market that is not active. The adoption of SFAS 157 did not have a material impact on the Company's financial statements.

In February 2007, FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company has elected not to apply the fair value option to the specified financial assets and liabilities, and accordingly, the adoption of SFAS No. 159 had no financial statement impact.

In December 2007, FASB issued SFAS No. 141 (Revised 2007), "Business Combinations" ("SFAS 141R"). The objective of SFAS 141R is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects.

SFAS 141R requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. SFAS 141R also requires the acquirer to recognize and measure the goodwill acquired in a business combination or a gain from a bargain purchase and how to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of SFAS 141R will have a material impact on its financial statements.

In December 2007, FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements-an Amendment of ARB No. 51" ("SFAS 160"). The objective of SFAS 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements. SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 also changes the way the consolidated income statement is presented, establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interest of the noncontrolling owners of a subsidiary. SFAS 160 is effective for financial statements issued for the fiscal years beginning on or after December 15, 2008. The Company does not expect the adoption of SFAS 160 will have a material impact on its financial statements.

In May 2008, FASB issued FASB Statement No. 162, "The Hierarchy of Generally Accepted Accounting Principles." This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles ("GAAP") in the United States. This statement became effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board ("PCAOB") amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles." The adoption of this statement did not have a material impact on our financial statements.

In April 2008, FASB issued FASB Staff Position No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets." The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under FASB Statement No. 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141R, and other U.S. generally accepted accounting principles. FSP 142-3 is effective for our interim and annual financial statements beginning in fiscal 2010. The Company is in the process of evaluating the impact, if any, that the adoption of FSP 142-3 will have on its financial statements.

In April 2009, FASB issued FASB Staff Position No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP 115-2 and 124-2"). FSP 115-2 and 124-2 amend the guidance on other-than-temporary impairment for debt securities and modifies the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. These FSPs are effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 115-2 and 124-2 did not have a material impact on our financial statements.

In April 2009, FASB issued FASB Staff Position No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP 157-4") to provide guidelines for making fair value measurements more consistent with the principles presented in SFAS 157. FSP 157-4 is applicable to all assets and liabilities (i.e. financial and nonfinancial) and provides additional authoritative guidance to determine whether a market is active or inactive or

whether a transaction is distressed. FSP 157-4 is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 157-4 did not have a material impact on our financial statements.

In April 2009, FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-1 and APB 28-1"). FSP FAS 107-1 and APB 28-1 amends FASB 107, "Disclosures about Fair Value of Financial Instruments" to require disclosures about fair value of financial instruments in interim and annual financial statements. FSP FAS 107-1 and APB 28-1 is effective for periods ending after June 15, 2009. The adoption of FSP 107-1 and APB 28-1 did not have a material impact on our financial statements.

In May 2009, the FASB issued SFAS No. 165 "Subsequent Events," which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The Statement sets forth: the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for interim and annual reporting periods ending after June 15, 2009, and should be applied prospectively. The adoption of SFAS No. 165 did not have a material impact on our financial statements.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140" ("SFAS 166"), which amends the derecognition guidance in FASB Statement No. 140 and eliminates the exemption from consolidation for qualifying special-purpose entities. This statement is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009. This statement will be effective for the Company beginning in our first quarter of fiscal year 2011. The Company does not expect the adoption of SFAS 166 will have a material impact on its financial statements.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167") , which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under FASB Interpretation No. 46(R). This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2009. This statement will be effective for the Company beginning in our first quarter of fiscal year 2011. The Company does not expect the adoption of SFAS 167 will have a material impact on its financial statements.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162" ("the Codification") as the single source of authoritative nongovernmental GAAP. All existing accounting standard documents, excluding guidance from the Securities and Exchange Commission ("SEC"), will be superseded by the Codification. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become nonauthoritative. The Codification does not change GAAP, but instead introduces a new structure that will combine all authoritative standards into a comprehensive, topically organized online database. The Codification will be effective for interim or annual periods ending after September 15, 2009, and will impact the Company's financial statement disclosures beginning with the quarter ending October 31, 2009 as all future references to authoritative accounting literature will be referenced in accordance with the Codification. There will be no changes to the content of the Company's financial statements or disclosures as a result of implementing the Codification.

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NOTE 2 - DNA DREAMFIELDS COMPANY, LLC

Effective May 1, 2005, the Company's ownership in DNA Dreamfields increased to 46.7%. In conjunction with the Company's increase in ownership in DNA Dreamfields and changes in the DNA Dreamfields operating agreement and other contractual arrangements, the Company determined that DNA Dreamfields was a variable interest entity under FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities," and that the Company was the primary beneficiary. Therefore, effective May 1, 2005, the Company began to include DNA Dreamfields in its consolidated financial statements.

Effective September 21, 2007, the Company acquired the remaining units of DNA Dreamfields, increasing its ownership to 100%. Pursuant to the terms of the purchase agreement, the Company acquired the remaining units for an aggregate purchase price of $2,231,614. In conjunction with this purchase, the Company eliminated the noncontrolling interests, recorded amortizable intangible assets (covenants not-to-compete and technology license) and reduced recorded goodwill associated with the buyout of DNA Dreamfields in the Company's first quarter of fiscal year 2008.

NOTE 3 - GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" goodwill and intangible assets with indefinite useful lives are to be tested for impairment at least annually. As of July 31, 2009, the value of goodwill was $8.4 million.

Amortizable intangible assets are amortized using the straight-line method over their estimated useful lives, which is the estimated period over which economic benefits are expected to be provided. In conjunction with the acquisition of the remaining units of DNA Dreamfields (See Note 2), the Company recorded amortizable intangible assets including covenants not-to-compete and a technology license. The covenants not-to-compete totaling $112,000 are being amortized over 36 months. The technology license totaling $2.6 million is being amortized over its estimated useful life of approximately 16 years.

Amortization expense relating to intangible assets totaled $203,000 and $169,000 for the years ended July 31, 2009 and 2008, respectively.

Information regarding goodwill and intangible assets at July 31, 2009 and 2008 is as follows (in thousands):

	2009			2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Covenants not-to-compete	$ 112	$ (68)	$ 44	$ 112	$ (31)	$ 81
Technology license	2,647	(304)	2,343	2,647	(138)	2,509
Total intangible assets	2,759	(372)	2,387	2,759	(169)	2,590
Goodwill	8,381	—	8,381	8,381	—	8,381
Total goodwill and intangible assets	$ 11,140	$ (372)	$ 10,768	$ 11,140	$ (169)	$ 10,971

The following table estimates amortization expense for the next five fiscal years (in thousands):

Fiscal years ending July 31,	Covenants Not-To-Compete	Technology License
2010	$ 37	$ 165
2011	7	165
2012	—	165
2013	—	165
2014	—	165
2015 and thereafter	—	1,518
	$ 44	$ 2,343

NOTE 4 - SHORT-TERM NOTES PAYABLE

The Company has a $45 million revolving credit facility with CoBank that extends through January 13, 2010 and is collateralized by all assets of the Company. Interest on the revolving line of credit is at the 7-day LIBOR rate subject to performance adjustments depending upon the Company's ratio of total debt to earnings before interest, taxes, depreciation and amortization or "EBITDA." The higher the ratio the higher the adjustment to the 7-day LIBOR rate within a range of 200 to 300 basis points above the 7-day LIBOR rate. Fixed interest rate options are also available. The balances outstanding under the revolving credit arrangements totaled $0 and $25.8 million as of July 31, 2009 and 2008, respectively. The Company had $45 million and $19.2 million available for borrowings under the revolving line of credit as of July 31, 2009 and 2008, respectively. Weighted average interest rates on short-term borrowings were 3.66%, 5.36% and 7.48% for the years ended July 31, 2009, 2008 and 2007, respectively. The interest rates on short-term borrowings were 2.27%, 4.43% and 7.07% as of July 31, 2009, 2008 and 2007, respectively.

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NOTE 5 - LONG-TERM DEBT

Information regarding long-term debt at July 31, 2009 and 2008 is as follows (in thousands):

	2009	2008
Non-patronage term loan from CoBank due in annual principal installments of $1,200,000 through September 30, 2008, interest at 5.71%, collateralized by all assets of the Company	$ —	$ 1,200
Senior Secured Guaranteed Notes, Series A, due in annual principal installments of $2,571,000 through August 1, 2008, interest at 8.04%, collateralized by all assets of the Company	—	2,574
Senior Secured Guaranteed Notes, Series B, due in annual principal installments of $1,000,000 through August 1, 2010, interest at 8.14%, collateralized by all assets of the Company	2,000	3,000
Term loan from CoBank due in quarterly installments of $500,000 for four quarters starting August 20, 2006 and of $1,100,000 quarterly thereafter through May 20, 2011, variable interest (4.43% at July 31, 2008; 2.27% at July 31, 2009), collateralized by all assets of the Company	8,200	12,600
Term loan from CoBank due in quarterly installments of $1,350,000 for fourteen quarters starting May 2011 and a $1,100,000 final payment on November 20, 2014, variable interest (4.43% at July 31, 2008; 2.27% at July 31, 2009), collateralized by all assets of the Company	20,000	20,000
Capital lease, five year term through March 31, 2012, fixed interest at 6.98%	974	1,307
Total long-term debt	31,174	40,681
Less current portion	5,756	9,507
Net long-term debt	$ 25,418	$ 31,174

Aggregate future maturities required on long-term debt and capital leases are as follows (in thousands):

Years ending July 31,	
2010	$ 5,756
2011	6,532
2012	5,636
2013	5,400
2014	5,400
Thereafter	2,450
	$ 31,174

The Company's debt agreements with CoBank and the institutional note holders obligate the Company to maintain or achieve certain amounts of equity and financial ratios and impose restrictions on the Company. The Company was in compliance with these financial covenants as of July 31, 2009.

The Company incurred $1,843,000, $3,849,000 and $3,013,000 of interest on long and short-term debt and other obligations in fiscal years 2009, 2008 and 2007, respectively, of which $1,000, $9,000 and $109,000 was capitalized in the respective periods. Patronage income from CoBank of $435,000, $225,000 and $132,000 was netted against interest expense on the statement of operations for the years ended July 31, 2009, 2008 and 2007, respectively.

NOTE 6 - STOCKHOLDERS' EQUITY

The Company is authorized to issue 75,000,000 shares of Common Stock, $.01 par value per share, 533 shares of Series A Preferred Stock, $100 par value per share, 525 shares of Series B Preferred Stock, $100 par value per share, 2,731 shares of Series C Preferred Stock, $100 par value per share, 11,340,841 shares of Series D Delivery Preferred Stock, $.01 par value per share, 130,000 shares of Series E Junior Participating Preferred Stock, $.01 par value per share, 2,100,000 shares of Series F Convertible Preferred Stock, $.01 par value per share and 11,425,370 shares of undesignated preferred stock, $.01 par value per share.

Holders of Series C Preferred Stock shall receive payment of a non-cumulative annual dividend at the rate of 6% of the $100 par value on each share of Series C Preferred Stock. Each share of Series C Preferred Stock is convertible into 24 shares of Common Stock and 24 shares of Series D Delivery Preferred Stock of the Company. The conversion ratio shall be proportionately adjusted at any time the outstanding shares of Common Stock are increased or decreased without payment by or to the Company or the Company's shareholders.

Each share of Series D Delivery Preferred Stock of the Company gives its holder the privilege, but not the obligation, to deliver one bushel of durum wheat to the Company each year on a "first-come, first-served" basis. Because the privilege of a holder of Series D Delivery Preferred Stock to deliver durum wheat to the Company only arises if the Company requires durum, the privilege is not absolute. Holders of Series D Delivery Preferred Stock will be entitled to receive, if and when declared by the Board of Directors, a non-cumulative annual dividend of up to $.04 per share on each share of Series D Delivery Preferred Stock held by such holder. The Company must pay holders of Series D Delivery Preferred Stock a dividend of at least $.01 per share before paying any dividends on Common Stock.

Holders of Series F Convertible Preferred Stock have the right, exercisable at any time upon sixty-five (65) days' written notice to the Company, to convert any number of the holder's shares of Series F Preferred Stock into an equal number of shares of the Company's Common Stock, par value $.01 per share. Series F

Convertible Preferred Stock shall not carry the right to vote on matters submitted to the vote of the shareholders of the Company. Except as otherwise provided, the Series F Preferred Stock shall have all rights of the Common Stock, including but not limited to any rights to dividends or to distributions upon liquidation.

The Board of Directors of the Company adopted a Rights Plan that became effective July 1, 2002. Under the Rights Plan, the Board of Directors of the Company has declared a dividend of one purchase right (a "Right") for each outstanding share of Common Stock held. Each Right will entitle the holder to purchase from the Company one-hundredth of one share of Series E Junior Participating Preferred Stock at a specified price, subject to certain adjustments. The Rights will not become exercisable, and will not be transferable apart from the Company's shares of Common Stock, until a person or group has acquired 15% or more of the Company's Common Stock or has commenced a tender or exchange offer for 15% or more of the Company's Common Stock. In those events, each Right will entitle the holder (other than the acquiring person or group) to receive, upon exercise, common shares of either the Company or the acquiring company having value equal to two times the exercise price of the Right. The Rights issued under the Rights Plan will be redeemable by the Company's Board of Directors in certain circumstances and will expire ten years from the date of adoption.

On May 10, 2007, the Company closed the sale of 1 million shares of Series F Convertible Preferred Stock to MVC Capital, Inc. ("MVC") and the sale of 1 million shares of Common Stock to LaBella Holdings, LLC at a purchase price of $10.00 per share. The Company also received $20 million in loan proceeds under a term loan agreement with CoBank. With the net proceeds of $38.8 million from these financing transactions and working capital provided by the Company, Dakota Growers purchased 3,917,519 shares of Common Stock that had been properly tendered to the Company at $10.00 per share net in cash pursuant to the Company's tender offer, which expired on April 27, 2007.

On December 18, 2008, the Company's Board of Directors authorized the payment of non-periodic dividends of 1 cent per share on its Series D Delivery Preferred Stock, 20 cents per share on its Common Stock and 20 cents per share on its Series F Convertible Preferred Stock, payable on January 7, 2009 to shareholders of record as of December 26, 2008.

On December 20, 2007, the Company's Board of Directors authorized the payment of non-periodic dividends of 1 cent per share on its Series D Delivery Preferred Stock, 16 cents per share on its Common Stock and 16 cents per share on its Series F Convertible Preferred Stock, payable on January 15, 2008 to shareholders of record as of December 31, 2007.

On December 14, 2006, the Company's Board of Directors authorized the payment of non-periodic dividends of 1 cent per share on its Series D Delivery Preferred Stock and 14 cents per share on its Common Stock, payable on January 3, 2007 to shareholders of record as of December 20, 2006.

NOTE 7 - EMPLOYEE BENEFIT PLANS

Dakota Growers Pasta Company, Inc. and Primo Piatto, Inc. have a 401(k) plan that covers employees who have met age and service requirements. The plan covers employees who have reached 18 years of age and who have completed 500 hours of service within six months. The Company matches 100% on the first 3% of the employees' elected deferral and 50% on the next 2%. Employer contributions to the plan totaled $717,000, $706,000 and $537,000 for the years ended July 31, 2009, 2008 and 2007, respectively.

Primo Piatto, Inc. was also required to contribute to a multi-employer pension plan covering certain hourly employees subject to a collective bargaining agreement. Such employees could also participate in the 401(k) plan but were excluded from amounts contributed by Primo Piatto. Contributions to the pension plan for the years ended July 31, 2008 and 2007 totaled $1,637,000 and $106,000, respectively.

The Company reached an agreement on January 16, 2008 with the Teamsters Local No. 120, affiliated with the International Brotherhood of Teamsters, on a three-year contract covering the period from December 1, 2007 through December 1, 2010. The contract allowed the Company to withdraw employees from the Central States Southeast and Southwest Areas Pension Fund (the "Fund"), a multi-employer pension plan. The withdrawal liability totaled $1,573,000 with an additional $124,000 payment into the Company's 401(k) plan for non-vested employee amounts in the Fund. The Company recorded a $1,697,000 non-recurring pre-tax charge for the year ended July 31, 2008 to reflect these costs associated with the withdrawal from the Fund.

NOTE 8 - INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities as of July 31, 2009 and 2008 related to temporary differences are as follows (in thousands):

	2009	2008
Deferred tax assets		
Accounts receivable allowances	$ 322	$ 504
Accrued expenses and other reserves	625	549
Total deferred tax assets	947	1,053
Deferred tax liabilities		
Property, equipment and other assets	(14,065)	(14,119)
Net deferred tax liabilities	$ (13,118)	$ (13,066)

Classified in the accompanying balance sheets as follows:

	2009	2008
Current assets	$ 947	$ 1,053
Noncurrent liabilities	(14,065)	(14,119)
Net deferred tax liabilities	$ (13,118)	$ (13,066)

Management believes it is more likely than not that the deferred tax assets as of July 31, 2009 will be realized through the generation of future taxable income and tax planning strategies.

Income tax expense for the years ended July 31, 2009, 2008 and 2007 consists of the following (in thousands):

	2009	2008	2007
Current income tax expense	$ 10,290	$ 4,684	$ 2,851
Deferred income taxes	52	696	908
Income tax expense	$ 10,342	$ 5,380	$ 3,759

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The reconciliation of the federal statutory income tax rate to the effective income tax rate for the years ended July 31, 2009, 2008 and 2007 is as follows:

	2009	2008	2007
Federal statutory income tax rate	35.0%	34.0%	34.0%
State income taxes, net of federal income tax effect	5.0	5.0	5.0
Other	(3.1)	(2.3)	(2.7)
Effective income tax rate	36.9%	36.7%	36.3%

The Company adopted the provisions of FASB Interpretation No. 48 "Accounting for Uncertainty of Income Taxes - An Interpretation of FASB Statement No. 109" ("FIN 48") on August 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition. As a result of the implementation of FIN 48, the Company recorded no increase in the liability for unrecognized tax benefits and the balance of unrecognized tax benefits was zero as of July 31, 2009 and 2008.

The Company has adopted the accounting policy that interest recognized in accordance with Paragraph 15 of FIN 48 and penalty recognized in accordance with Paragraph 16 of FIN 48 are classified as part of income taxes. The total amount of interest and penalty recognized in the statements of financial position and statements of operations was zero as of July 31, 2009 and 2008. The Company does not anticipate any significant change within 12 months of this reporting date of its uncertain tax positions. The Company is subject to taxation in the United States and various state jurisdictions. The Company's July 31, 2004 through July 31, 2008 North Dakota income tax returns are being reviewed by the North Dakota Tax Commissioners office. This review is in the early stage of gathering documentation to support the tax returns. The Company does not believe that there will be any material changes to the originally filed tax returns. The Company's various tax years starting 2004 to 2009 remain open in various taxing jurisdictions.

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is generally defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market prices are generally not available for the Company's financial instruments. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amount of cash and cash equivalents, receivables, payables, short-term debt and other current assets and liabilities approximates fair value because of the short maturity and/or frequent repricing of those instruments.

The Company believes it is not practical to estimate the fair value of the securities of non-subsidiary cooperatives without incurring excessive costs because there is no established market for these securities and it is inappropriate

to estimate future cash flows, which are largely dependent on future patronage earnings of the non-subsidiary cooperatives.

Based upon current borrowing rates with similar maturities, the fair value of the long-term debt approximates the carrying value as of July 31, 2009 and 2008.

NOTE 10 - OPERATING LEASES

The Company leases equipment and office space under operating lease agreements. Future obligations for operating leases for fiscal years ended July 31 are as follows (in thousands):

Year ending July 31:		
2010	$	629
2011		408
2012		152
2013		65
2014		26
Thereafter		—
	$	1,280

Lease expense totaled $710,000, $521,000 and $1,138,000 for the years ended July 31, 2009, 2008 and 2007, respectively.

NOTE 11 - CAPITAL LEASE

On March 30, 2007, the Company entered into a lease agreement for certain pasta equipment valued at $1.75 million, which had previously been accounted for in a sale-leaseback transaction. The equipment lease, which has a term of 5 years expiring on March 31, 2012, is classified as a capital lease.

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of July 31, 2009 (in thousands):

Year ending July 31:		
2010	$	413
2011		413
2012		241
Later Years		—
Total minimum lease payments		1,067
Less: Amount representing interest		(93)
Present value of net minimum lease payments	$	974

The equipment is being depreciated over its estimated useful economic life.

Information regarding certain pasta equipment under capital lease at July 31, 2009 and 2008 is as follows (in thousands):

	2009	2008
Equipment	$ 1,750	$ 1,750
Less: Accumulated depreciation	(408)	(233)
Total	$ 1,342	$ 1,517

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company forward contracts for a certain portion of its future wheat requirements. At July 31, 2009, the Company had outstanding commitments for grain purchases totaling $16,731,000 related to forward purchase contracts. These contracts are set price contracts to deliver grain to the Company's mill, and are not derivative in nature as they have no net settlement provision and are not transferable.

The Company had commitments for building construction and pasta equipment purchases related to the expansion of the Carrington, ND facility totaling approximately $4.5 million as of July 31, 2009. These costs are expected to be paid within one year.

Pursuant to certain warehouse agreements, the Company is obligated to minimum monthly storage and handling amounts totaling $2,262,000, $973,000, $554,000, and $554,000 for the years ending July 31, 2010, 2011, 2012 and 2013, respectively.

The Company is subject to various lawsuits and claims which arise in the ordinary course of its business. While the results of such litigation and claims cannot be predicted with certainty, management believes the disposition of all such proceedings, individually or in aggregate, should not have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 13 - STOCK OPTION PLANS

On January 31, 1997 the Company's Compensation Committee of the Board of Directors (the "Compensation Committee") adopted the Dakota Growers Incentive Stock Option Plan (the "Plan"). The Plan was ratified by the Company's members at the annual meeting in January 1998. The Compensation Committee or the Board of Directors has the power to determine the key management employees of the Company to receive options and the number of shares to be optioned to each of the employees. Options granted under the Plan are for the purchase of Series C Convertible Preferred Stock at fair market value, which were convertible into Equity Stock as a cooperative, and are now convertible into Common Stock and Series D Delivery Preferred Stock as a corporation at the option of the employee, under the applicable conversion ratio. The maximum number of preferred shares that may be issued pursuant to options granted under the Plan is 15,000, all of which have been issued. Each share of Series C Preferred Stock is convertible into 24 shares of Common Stock and 24 shares of Series D Delivery Preferred Stock of the Company. The conversion ratio is proportionately adjusted if the Company increases the outstanding shares of Common Stock or Series D Delivery Preferred Stock, as applicable, without payment by or to the Company or the Company's shareholders for such additional shares (e.g. stock split, stock dividend or other action). Options granted under the Plan must be exercised within ten years from the date such options are granted. In the event of the employee's termination with the Company, all exercisable options may be exercised within 90 days of the termination date. If not exercised, such options lapse.

The Company's 2002 Stock Option Plan (the "2002 Plan") was adopted by the Board of Directors on November 21, 2002. All options granted under the 2002 Plan are non-qualified stock options and are for the purchase of the Company's Common Stock. The maximum number of shares of Common Stock that may be issued pursuant to options granted under the 2002 Plan is 294,456 shares, all of which have been issued. Stock options granted under the 2002 Plan expire 10 years from the date of grant.

On November 21, 2002 the Board of Directors adopted the Dakota Growers Pasta Company, Inc. 2003 Stock Option Plan (the "2003 Plan"), which was approved by the Company's shareholders at the Annual Meeting on January 11, 2003. The 2003 Plan covers 500,000 shares of the Company's Common Stock. Participation in this Plan shall be limited to officers, directors, employees, vendors or consultants of the Company or any subsidiary of the Company. Options granted under the 2003 Plan may be incentive stock options (as defined under Section 422 of the Code) or non-qualified stock options, as determined by the 2003 Plan administrator at the time of grant of an option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated there under. The stock options generally expire 10 years from the date of grant. If the employment of the Optionee is terminated by any reason other than his or her death or disability, all exercisable options may be exercised within 90 days of the termination date. If not exercised, such options lapse. There were 32,237 options available to be granted under the 2003 Plan as of July 31, 2009.

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The following tables set forth information regarding stock options outstanding and exercisable:

	Options to purchase Series C Convertible Preferred Stock			
	Number of Series C Convertible Preferred Shares	Option Price per Share	Weighted Average Exercise Price	Exercisable
Outstanding at July 31, 2006	1,977	$100-$150	$ 117.35	1,977
Exercised	—			
Granted	—			
Forfeited/Expired	—			
Outstanding at July 31, 2007	1,977	$100-$150	$ 117.35	1,977
Exercised	—			
Granted	—			
Forfeited/Expired	—			
Outstanding at July 31, 2008	1,977	$100-$150	$ 117.35	1,977
Exercised	—			
Granted	—			
Forfeited/Expired	—			
Outstanding at July 31, 2009	1,977	$100-$150	$ 117.35	1,977

	Options to purchase Common Stock			
	Number of Common Shares	Option Price per Share	Weighted Average Exercise Price	Exercisable
Outstanding at July 31, 2006	385,837	$4.00-$6.25	$ 5.16	242,517
Exercised	(5,550)	$4.00	$ 4.00	
Granted	272,726	$5.00	$ 5.00	
Forfeited/Expired	—			
Outstanding at July 31, 2007	653,013	$4.00-$6.25	$ 5.10	317,243
Exercised	—			
Granted	—			
Forfeited/Expired	—			
Outstanding at July 31, 2008	653,013	$4.00-$6.25	$ 5.10	485,128
Exercised	(10,650)	$4.00-$5.00	$ 4.67	
Granted	—			
Forfeited/Expired	—			
Outstanding at July 31, 2009	642,363	$4.00-$6.25	$ 5.11	574,182

For the years ended July 31, 2009, 2008 and 2007, the Company recorded stock-based employee compensation expense of $112,000, $160,000 and $210,000, respectively.

The fair value of the stock options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: 2007 — risk free interest rate of 4.7%, expected dividend yield of 1.0%, expected life of 5 years and volatility of 25%.

A summary of the status of the Company's issued but nonvested stock options as of July 31, 2009, and changes during the year ended July 31, 2009, is presented below:

Nonvested Stock Options	Common Shares	Weighted-Average Grant-Date Fair Value
Nonvested at July 31, 2008	167,885	$ 4.81
Granted	—	
Vested	(99,704)	$ 4.68
Forfeited/Expired	—	
Nonvested at July 31, 2009	68,181	$ 5.00

As of July 31, 2009, there was approximately $24,000 of total unrecognized compensation cost related to nonvested employee stock options. That cost is expected to be recognized over a period of .25 years.

NOTE 14 - RELATED PARTY TRANSACTIONS

Amounts due from executive officers totaled $47,000 as of July 31, 2009 and 2008.

Jeffrey Topp, a director of the Company, sold wheat to the Company through an affiliated entity in fiscal years 2009 and 2008. Those sales totaled $554,000 and $263,000 at market prices and the Company had a commitment to purchase wheat totaling $187,500 and $386,000 from Mr. Topp and/or his affiliated entity as of July 31, 2009 and 2008, respectively.

In May 2007, the Company paid MVC Financial Services, Inc. and LaBella Holdings LLC $200,000 each in closing fees. The payments were based on 2% of the issuance of 1,000,000 shares of series F preferred stock at $10 per share and 1,000,000 shares of common stock at $10 per share. See Note 6 — Stockholders' Equity. MVC Financial Services, Inc. is an affiliate of MVC Capital, Inc., a holder of 5% or greater of the Company's Common Stock. Michael T. Tokarz, a director of the Company, is a stockholder and Chairman of MVC Capital, Inc. LaBella Holdings LLC is a holder of 5% or greater of the Company's Common Stock. Richard Thompson, a director of the Company, is a managing member of LaBella Holdings LLC.

NOTE 15 - CONTINUED DUMPING AND SUBSIDY OFFSET ACT OF 2000

U.S. Customs and Border Protection ("Customs") has distributed antidumping and countervailing duties assessed on certain pasta imported from Italy and Turkey to affected domestic producers pursuant to the Continued Dumping and Subsidy Offset Act of 2000 (the "Offset Act"), which was enacted in October 2000. The Company received payments in the amount of $384,000, $2,200,000 and $1,300,000 in December 2008, 2007 and 2006, respectively, under the Offset Act. The net proceeds received under the Offset Act have been classified as Other Income on the Income Statement. The Company cannot reasonably estimate the potential amount, if any, that it may receive under the Offset Act in future periods as any such amount will be based upon future events over which the Company has little or no control, including but not limited to federal legislation, the amount of expenditures by domestic pasta producers and the amount of antidumping and countervailing duties collected by Customs. The Act, also known as the Byrd Amendment, has been repealed and therefore, duties assessed on pasta imports after September 30, 2007 will no longer be distributed to domestic producers. However, amounts collected (whether such collections occur before or after September 30, 2007) related to duties assessed on pasta entries prior to September 30, 2007, are expected to be available for future distribution to domestic producers.

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NOTE 16 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Summary quarterly results are as follows (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended July 31, 2009				
Net revenues	$ 87,145	$ 72,067	$ 71,513	$ 66,713
Gross profit	8,626	11,114	14,140	14,766
Operating income	3,493	5,753	9,688	10,507
Net income	1,692	3,629	6,177	6,183
Basic net earnings per common share	0.17	0.32	0.61	0.60
Year ended July 31, 2008				
Net revenues	$ 54,802	$ 61,990	$ 78,538	$ 84,869
Gross profit	8,513	6,138	7,715	11,124
Operating income	3,744	1,372	3,418	7,506
Net income	1,816	1,461	1,741	4,273
Basic net earnings per common share	0.18	0.12	0.17	0.41

The above quarterly financial data is unaudited, but in the opinion of management, all adjustments necessary for a fair presentation of the selected data for these interim periods presented have been included.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A(T). CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, we conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer (together the "Certifying Officers"), of the effectiveness of the design and operation of our disclosure controls and procedures as of July 31, 2009, the end of the period covered by this report. Based upon that evaluation, the Certifying Officers concluded that our disclosure controls and procedures were effective as of July 31, 2009 to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Certifying Officers, as appropriate, to allow for timely decisions regarding required disclosure.

Inherent Limitations on Effectiveness of Controls

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of the management and the Board; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Company assets that could have a material effect on the financial statements.

Management personnel, including the Certifying Officers, recognize that our internal control over financial reporting cannot prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management's report on internal control over financial reporting

The following report is provided by management in respect of the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934):

1. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting.

2. The Company's management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the effectiveness of internal control over financial reporting. Management believes that the COSO framework is a suitable framework for its evaluation of financial reporting because it is free from bias, permits reasonably consistent qualitative and quantitative measurements of the

Company's internal control over financial reporting, is sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of the Company's internal control over financial reporting are not omitted and is relevant to an evaluation of internal control over financial reporting.

3. Management has assessed the effectiveness of the Company's internal control over financial reporting as of July 31, 2009 and has concluded that such internal control over financial reporting was effective. There were no material weaknesses in internal control over financial reporting identified by management.

4. This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal controls over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Directors

The Board of Directors currently consists of eleven members. The Board may consist of a minimum of seven members and a maximum of fifteen members. The Articles of Incorporation and Bylaws of the Company require that at least five members of the Board of Directors be residents of the State of North Dakota and that at least three members be agricultural producers. The Board of Directors is divided into three classes: Class I, Class II and Class III. Class I, Class II and Class III are to consist of an equal number of directors, except that, if the Board of Directors consists of a number of directors such that mathematically there cannot be an equal number of directors in each of Class I, Class II and Class III, then the one remaining director shall be made a member of Class I and, if there is more than one remaining director, the first remaining director shall be made a member of Class I and the second remaining director shall be made a member of Class II. Each director in each of Class I, Class II and Class III will hold office until the third regular meeting of shareholders following the regular meeting of the shareholders at which such director or such director's predecessor was elected, until his successor shall have been elected and shall qualify, or until he resigns or is removed.

The table below sets forth certain information concerning the directors of the Company. The directors have been elected to serve three-year terms expiring at the annual meeting in the calendar years indicated in the table below.

Name	Age	Term Expires	Class
John S. Dalrymple III	61	2012	I
Allyn K. Hart	70	2011	III
Roger A. Kenner (1)	60	2010	II
James F. Link	82	2012	I
Eugene J. Nicholas	64	2010	II
John D. Rice, Jr. (1)	55	2012	I
Richard Thompson	58	2010	II
Michael T. Tokarz	59	2012	I
Jeffrey O. Topp	50	2010	II
Curtis R. Trulson	57	2011	III
Michael E. Warner	59	2011	III

(1) Mr. Kenner and Mr. Rice are first cousins.

John S. Dalrymple III. Mr. Dalrymple has been Chairman of the Board of Directors of the Company since 1991. He became Lieutenant Governor of North Dakota in 2000. Mr. Dalrymple had been a state representative since 1984 and served as Chairman of the House Appropriations Committee and of the Budget Section of the North Dakota House of Representatives. He previously served on the board of directors of the U.S. Durum Growers Association. He has been a farmer in the Casselton, North Dakota area since 1971.

Allyn K. Hart. Mr. Hart has been a director of the Company since 1991. Mr. Hart has served on the board of directors of Cavalier County Job Development Authority and U.S. Durum Growers Association and presently serves on the board of Maple Manor Care Center in Langdon, North Dakota. He has been a farmer in the Cavalier County, North Dakota area since 1961.

Roger A. Kenner. Mr. Kenner has been a director of the Company since 1991. Mr. Kenner is chairman of Golden Plains Frozen Foods LLC and is a director of Blue Cross Blue Shield of North Dakota. He has been a farmer and certified seed producer in the Leeds, North Dakota area since 1964.

James F. Link. Mr. Link has been a director of the Company since 1991. Mr. Link has served on the boards of directors of Farm Credit and Minn-Dak Farmers Cooperative, including 15 years as its chairman. He has been a farmer in the Wahpeton, North Dakota area since 1947.

Eugene J. Nicholas. Mr. Nicholas has been a director of the Company since 1991. Mr. Nicholas had been a state representative and served as chairman of the North Dakota House of Representatives Agriculture Committee. Mr. Nicholas also serves on the board of directors of Country Bank USA, Cando, North Dakota, and the board of governors of Golden Plains Frozen Foods LLC. Mr. Nicholas previously served on the board of directors of the U.S. Durum Growers Association.

John D. Rice, Jr. Mr. Rice is the Vice Chairman of the Board of Directors and has been a director of the Company since 1991. He also served on the boards of directors of the National Pasta Association and U.S. Durum Growers Association. He has been a farmer in the Maddock, North Dakota area since 1968.

Richard Thompson. Mr. Thompson has been a director of the Company since May 2007. Mr. Thompson is the co-founder and has been a managing member and chief executive officer of GO7 Brands, LLC since May 2006. He started American Italian Pasta Company (AIPC) in 1986 and grew it into the largest pasta manufacturing and durum milling company in North America. He has made numerous appearances in the national media including speaking engagements on entrepreneurial, manufacturing, and branding topics. He has also received positive press from a variety of national and local publications and has served on several boards including public companies. Mr. Thompson serves or has served on various organizations board of directors such as ASPCA, Nashville Humane Association, Pet Food Institute and "ARF" Animal Rescue Fund of the Hamptons. In addition, he was a member of Parents Campaign Development and Alumni Relations at Vanderbilt University, George Washington University - Parents Campaign, and Grocery Manufacturing Association - President's Advisory Council.

Michael T. Tokarz. Mr. Tokarz has been a director of the Company since 2004. Mr. Tokarz is the Chairman of MVC Capital, a registered investment company traded on the New York Stock Exchange (Ticker: MVC) that makes equity and debt investments. In addition, Mr. Tokarz is the Managing Member of The Tokarz Group, which manages Mr. Tokarz's personal investments. From 1985 to 2002, Mr. Tokarz was a senior General Partner and Administrative Partner at Kohlberg Kravis Roberts & Co., a private equity firm specializing in management buyouts. Prior to joining KKR, Mr. Tokarz was with Continental Illinois National Bank and Trust Company of Chicago, joining the firm in 1973. He serves or has served on the Board of Directors of numerous companies, including: Conseco, Inc., Walter Industries, Inc., Mueller Water Products, Inc., Safeway, Inc., IDEX Corporation, PRIMEDIA, Inc., Neway Anchorlok International, Inc., Flagstar Corporation, ConAgra Food Corporation, KSL Recreation Corporation, RJR Nabisco Corp, Evenflo & Spalding Holdings Corporation, Beatrice Foods Corporation, Nexstar Financial Corporation, Apertio Limited (UK), United Fixtures Company, Stonewater Controls, Lomonosov Porcelain (Russia), Kamaz A.O. (Russia). Mr. Tokarz also serves on the Board of the University of Illinois Foundation and its Investment Committee and as Chairman of its Budget and Finance Committee. He is a member of the Board of Managers of Illinois Ventures and Chairman of Illinois Emerging Technology Fund, both affiliated with the University of Illinois.

Jeffrey O. Topp. Mr. Topp has been a director of the Company since 1991. He serves on the board of directors of Farmers Elevator, Inc. in Grace City, North Dakota and North Dakota Natural Beef, LLC. He is a partner in T-T Ranch and has been a farmer in the Grace City area since 1978.

Curtis R. Trulson. Mr. Trulson has been a director of the Company since 1991. He previously served on the boards of directors of the National Association of Wheat Growers and the North Dakota Grain Growers Association, including service as its President. He has been a farmer in Mountrail County, North Dakota, since 1975.

Michael E. Warner. Mr. Warner has been a director of the Company since 1992. Mr. Warner has been a farmer in the Hillsboro, North Dakota area since 1967. He also currently serves on the boards of directors of Warner Equipment Co. and Agriceutical Resources LLC. In 2002, Mr. Warner was awarded a fellowship by the University of Missouri. He served on the board of directors of American Crystal Sugar Company from 1989 through 1996, as part of a 23-year career of service to the sugar industry. He is a past member of the board of

trustees of Meritcare Health Systems of Fargo, North Dakota, the largest hospital/multiple clinic system between Minneapolis, Minnesota and Seattle, Washington.

Committees of the Board of Directors

The Board of Directors has established an Audit Committee, a Compensation Committee, a Nomination Committee and a Policy Committee. The composition and function of these committees are set forth below. A copy of the current charter for each of the committees described below is available on our website at *www.dakotagrowers.com* by clicking on the links for Investor Relations and Corporate Governance.

Audit Committee. The Audit Committee is responsible for overseeing the accounting and financial reporting processes of the Company and audits of the Company's financial statements, including assessing and ensuring the independence of the independent auditor, evaluating audit performance and approving the services to be provided by the independent auditor. The Audit Committee has the sole authority to retain, compensate, oversee and terminate the independent auditors. The Audit Committee reviews the Company's annual audited financial statements, quarterly financial statements and filings with the Securities and Exchange Commission. The Audit Committee reviews reports on various matters, including critical accounting policies of the Company, significant changes in the Company's selection or application of accounting principles and the Company's internal control processes. The Audit Committee also pre-approves all audit and non-audit services performed by the independent auditor.

The Audit Committee operates under a written charter adopted by the Board of Directors. The Company's Audit Committee presently consists of Messrs. Curtis R. Trulson (Chair), Michael E. Warner and John S. Dalrymple III. Under the Company's bylaws, the Audit Committee of the Board of Directors must be composed of at least three directors who are not employees of the Company. The charter of the Audit Committee requires that members of the Audit Committee must be independent, and the Board of Directors has determined that all members of the Audit Committee are independent directors under the rules of the Nasdaq stock market and the Securities and Exchange Commission. The Board of Directors has also determined that Mr. Trulson meets the Securities and Exchange Commission definition of an "audit committee financial expert."

Compensation Committee. The Compensation Committee operates under a written charter and reviews and approves the compensation and other terms of employment of the Company's Chief Executive Officer and other senior management of the Company. Among its other duties, the Compensation Committee is responsible for overseeing the Company's stock-based compensation plans for executive officers and, in consultation with the Nomination Committee, making recommendations on succession plans for the Chief Executive Officer. The Compensation Committee is to annually review the Chief Executive Officer's compensation and evaluate the Chief Executive Officer's performance. The current members of the Compensation Committee are Messrs. John S. Dalrymple III (Chair), Curtis R. Trulson and Michael E. Warner.

The charter of the Compensation Committee requires that the Committee consist of independent directors. Each member of the Compensation Committee must also be an "outside director" for purposes of Section 162(m) of the Internal Revenue Code. Each member of the Company's Compensation Committee meets these requirements.

Nomination Committee. The Nomination Committee operates under a written charter and is charged with the responsibilities of nominating and evaluating Board member candidates and establishing criteria for nomination, developing and recommending governance guidelines and reviewing them periodically, facilitating annual evaluations of the performance of the Board and its members, reviewing the structure and membership of the Company's Board and committees, and reviewing Board compensation policies. Additionally, the Nomination Committee, in consultation with the Compensation Committee, facilitates development of the mission and objectives of the Chief Executive Officer, succession for the Chief Executive Officer and annual evaluation of the performance of the Chief Executive Officer.

The Company's bylaws require that the Nomination Committee be comprised of the Chairman of the Board, the Vice-Chairman and the Chief Executive Officer, except that if one individual holds two of the designated offices, the Board of Directors shall appoint a third member to the Nomination committee, who need not be a director of the Company. Additionally, as required by its charter, the Nomination Committee is composed of a majority of independent directors. The current members of the Nomination Committee are Messrs. John S. Dalrymple III (Chair), John D. Rice, Jr. and Timothy J. Dodd. The Board of Directors has determined that Messrs. Dalrymple and Rice are independent directors.

Policy Committee. The Policy Committee operates pursuant to a written Policy Committee Charter. The Policy Committee is to provide oversight of the Company's governance obligations to assure compliance with all applicable laws, regulations, Articles of Incorporation and By-laws by adoption and periodic review of a governance policy. The members of the Policy Committee are Allyn K. Hart (Chair), Curtis R. Trulson and James F. Link. Each member of the committee is a non-employee director and the Board of Directors has determined that there are no relationships that would interfere with a Policy Committee member's exercise of independent judgment in carrying out his responsibilities as a member of the policy committee.

Executive Officers

The table below lists the executive officers of the Company. Officers are elected annually by the Board of Directors.

Name	Age	Position
Timothy J. Dodd	54	President and Chief Executive Officer
Edward O. Irion	38	Chief Financial Officer

Timothy J. Dodd. Mr. Dodd is the President and Chief Executive Officer of the Company. Prior to joining the Company in December 1991, he had been the Vice President of Manufacturing for American Italian Pasta Company since 1988. Previously, Mr. Dodd participated in the construction and management of two other grain processing facilities, one in Texas and one in Cando, North Dakota. Mr. Dodd serves on the board of directors of Country Bank USA, Cando, North Dakota.

Edward O. Irion. Mr. Irion was appointed as the Company's Chief Financial Officer effective February 21, 2006. Mr. Irion joined the Company in December 1999 and served as the Company's Assistant Vice President — Planning and Control until August 2000. From August 2000 until his appointment as Chief Financial Officer, Mr. Irion served as the Company's Vice President — Finance and Chief Accounting Officer. He received a Bachelor of Science degree in accounting from Minnesota State University-Moorhead and is a certified public accountant.

Code of Conduct

The Company has adopted a Code of Conduct applicable to all employees. A Code of Ethics certification for senior financial officers, including the principal executive officer, principal financial officer and principal accounting officer, is included within the Code of Conduct.

A copy of the Code of Conduct is available under the "Investor Relations" portion of the Company's website at *www.dakotagrowers.com*. A copy of the Company's Code of Conduct will also be provided, without charge, upon written request to:

Investor Relations
Dakota Growers Pasta Company, Inc.
One Pasta Avenue
Carrington, ND 58421

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Overview

This section explains our philosophy, policies and practices relating to executive compensation and presents a review and analysis of the compensation earned during the fiscal year ended July 31, 2009 by our Chief Executive Officer and our Chief Financial Officer to whom we refer collectively as the "named executive officers."

Compensation Philosophy and Objectives

The Company's compensation policies with respect to its executive officers, established by the Compensation Committee, are based on the principles that compensation should, to a significant extent, reflect the financial performance of the Company and the individual contribution of the executives to this financial performance. It is the policy of the committee to set executive compensation at levels that are sufficiently competitive with food processing companies of comparable size to attract, retain and motivate the highest quality individuals to contribute to the Company's goals, objectives and overall financial success. A portion of certain executives' incentive compensation has historically been paid in stock options in order to align executive and stockholder interests.

The Role of the Compensation Committee

The Compensation Committee operates under a written charter and reviews and approves the compensation and other terms of employment of the Company's Chief Executive Officer and other senior management of the Company. Among its other duties, the Compensation Committee is responsible for overseeing the Company's stock-based compensation plans for executive officers and, in consultation with the Nomination Committee, making recommendations on succession plans for the Chief Executive Officer. The Compensation Committee is to annually review the Chief Executive Officer's compensation and evaluate the Chief Executive Officer's performance.

Total Compensation for Executive Officers

Base Salary. The base salary of each of our named executive officers is reviewed by the committee as part of the overall annual review of executive compensation. The Compensation Committee sets executive compensation by subjective evaluation of the individual performance of each executive and by marketplace compensation of comparable executives, although salary determinations are not based upon any specific or constant criteria.

Annual Incentive Bonus. Executives are eligible for annual incentive cash bonuses based on individual and Company performance. As no formal criteria have yet been established, these calculations are determined on a subjective basis. These awards are not intended to be in addition to market level compensation but instead are designed to cause a significant part of an executive's annual compensation to be dependent on the Compensation Committee's assessment of the executive's performance and the executive's contributions to the Company's financial performance and strategic objectives.

Long-Term, Equity-Based Incentive Compensation. The stock option component of the executive officers' compensation has been designed to provide executives with incentives for the enhancement of stockholder value. Options are granted at fair market value on the date of grant and generally vest over a number of years. No constant criteria are used year after year in the granting of stock options. For stock option awards for executive officers, the Compensation Committee makes a subjective determination of the effectiveness of the executive and the extent of the executive's contributions to the Company's success and, based on that determination, option grants, if any, are awarded to each executive. Because the options are granted with exercise prices equal to the fair market value of the underlying Common Stock on the date of grant, any value that ultimately accrues to the

executive is based entirely upon the Company's performance as perceived by investors who establish the market price for the Common Stock.

Post Retirements Benefits. The Company maintains a 401(k) Profit Sharing Plan, in which eligible employees may participate, including the named executive officers. The Company will make a matching contribution to the Plan of 100% of the first 3% of the employees' annual compensation and 50% of the next 2%. Employee voluntary contributions are immediately vested as well as the employer matching contributions.

Other Compensation. All full-time employees, including the named executive officers, may participate in the Company's health and welfare benefit programs, including medical and dental care coverage, disability insurance and life insurance.

Compensation Committee Report

The Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based upon the review and discussions, the Committee directed that the Compensation Discussion and Analysis be included in this annual report on Form 10-K.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are John S. Dalrymple III, Curtis R. Trulson and Michael E. Warner. None of these directors are or have been an officer or employee of the Company. During fiscal year 2009 no executive officer of the Company served as a director or member of the Compensation Committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a director of or member of the Compensation Committee of the Company.

Compensation Committee:

John S. Dalrymple III
Curtis R. Trulson
Michael E. Warner

Summary Compensation Table

The following table summarizes the amount of compensation paid to the Company's President and Chief Executive Officer and Chief Financial Officer for the fiscal years ended July 31, 2009, 2008 and 2007.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary	Bonus	Option Awards (1)	All Other Compensation (2)	Total
Timothy J. Dodd	2009	$ 357,151	$ 224,298	$ 26,728	$ 12,088	$620,265
President and Chief	2008	$ 316,318	$ 149,532	$ 38,710	$ 21,983	$526,543
Executive Officer	2007	$ 247,889	$ 55,300	$ 50,803	$ 11,628	$365,620
Edward O. Irion	2009	$ 229,820	$ 123,521	$ 15,283	$ 15,399	$384,023
Chief Financial Officer	2008	$ 205,868	$ 96,200	$ 20,724	$ 15,200	$337,992
	2007	$ 192,544	$ 37,000	$ 26,718	$ 13,802	$270,064

(1) The awards shown in this column include stock options granted under our 2003 Stock Option Plan. The amounts are based on the compensation expense recognized for the award pursuant to Statement of Financial Accounting Standards No. 123R. See Note 13 to the consolidated financial statements for a discussion of the relevant assumptions used in calculating grant date fair value pursuant to FAS 123R.

(2) Includes the Company's 401(k) matching contribution, excess life insurance, the taxable portion of reimbursable business expenses and the taxable portion of other benefits.

Outstanding Equity Awards at July 31, 2009

The following table summarizes stock options held for Series C Convertible Preferred Stock at the end of fiscal year 2009.

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Prices ($)	Option Expiration Date
Timothy J. Dodd	506	—	$ 100.00	12/1/2011
	785	—	100.00	12/1/2011
	686	—	150.00	1/1/2013

(1) Mr. Dodd has been granted options that are currently exercisable or exercisable within 60 days of July 31, 2009, to purchase 1,977 shares of the Company's Series C Convertible Preferred Stock. Each share of Series C Preferred Stock is convertible into 24 shares of Common Stock and 24 shares of Series D Delivery Preferred Stock of the Company.

The following table summarizes stock options held for Common Stock at the end of fiscal year 2009.

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Prices ($)	Option Expiration Date
Timothy J. Dodd	190,800	—	$ 6.25	12/1/2012
	13,511	—	4.25	2/1/2014
	35,392	—	4.00	12/22/2015
	47,064	15,688(1)	5.00	10/19/2016
Edward O. Irion	7,723	—	$ 4.25	2/1/2014
	10,816	—	4.00	12/22/2015
	29,522	9,840(1)	5.00	10/19/2016

(1) Subject to certain qualifications, including but not limited to, the continued employment of the optionee, options will vest on October 19, 2009.

Employment Agreements

The Company does not have any employment agreements in place at the current time.

Stock Option Plans

On January 31, 1997 the Company's Compensation Committee of the Board of Directors (the "Compensation Committee") adopted the Dakota Growers Incentive Stock Option Plan (the "Plan"). The Plan was ratified by the Company's members at the annual meeting in January 1998. The Compensation Committee or the Board of Directors has the power to determine the key management employees of the Company to receive options and the number of shares to be optioned to each of the employees. Options granted under the Plan are for the purchase of Series C Convertible Preferred Stock at fair market value and are convertible into Common Stock and Series D Delivery Preferred Stock at the option of the employee, under the applicable conversion ratio. The maximum number of preferred shares that may be issued pursuant to options granted under the Plan is 15,000, all of which have been issued. Each share of Series C Preferred Stock is convertible into 24 shares of Common Stock and 24 shares of Series D Delivery Preferred Stock of the Company. The conversion ratio is proportionately adjusted if the Company increases the outstanding shares of Common Stock or Series D Delivery Preferred Stock, as applicable, without payment by or to the Company or the Company's shareholders for such additional shares (e.g. stock split, stock dividend or other action). Options granted under the Plan must be exercised within ten years from the date such options are granted. In the event of the employee's termination with the Company, all exercisable options may be exercised within 90 days of the termination date. If not exercised, such options lapse.

The Company's 2002 Stock Option Plan (the "2002 Plan") was adopted by the Board of Directors on November 21, 2002. All options granted under the 2002 Plan are non-qualified stock options and are for the purchase of the Company's Common Stock. The maximum number of shares of Common Stock that may be issued pursuant to options granted under the 2002 Plan is 294,456 shares, all of which have been issued. Stock options granted under the 2002 Plan expire 10 years from the date of grant.

On November 21, 2002 the Board of Directors adopted the Dakota Growers Pasta Company, Inc. 2003 Stock Option Plan (the "2003 Plan"), which was approved by the Company's shareholders at the Annual Meeting on

January 11, 2003. The 2003 Plan covers 500,000 shares of the Company's Common Stock. Participation in this Plan shall be limited to officers, directors, employees, vendors or consultants of the Company or any subsidiary of the Company. Options granted under the 2003 Plan may be incentive stock options (as defined under Section 422 of the Code) or non-qualified stock options, as determined by the 2003 Plan administrator at the time of grant of an option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated there under. The stock options generally expire 10 years from the date of grant. If the employment of the Optionee is terminated by any reason other than his or her death or disability, all exercisable options may be exercised within 90 days of the termination date. If not exercised, such options lapse.

COMPENSATION OF DIRECTORS

Members of the Board of Directors receive compensation for serving on the Board of Directors, as determined from time to time by the Nomination Committee, but with full discussion and action by the Board.

Director Compensation Table

The table below summarizes the compensation paid by the Company to non-employee Directors during the fiscal year ended July 31, 2009.

Name	Fees earned or paid in cash (1)	All Other Compensation	Total
John S. Dalrymple III	$ 61,800	$ —	$ 61,800
Allyn K. Hart	45,300	—	45,300
Roger A. Kenner	45,000	—	45,000
James F. Link	50,550	—	50,550
Eugene J. Nicholas	46,300	—	46,300
John D. Rice, Jr.	46,300	—	46,300
Richard Thompson	42,400	—	42,400
Michael T. Tokarz (2)	42,700	75,000	117,700
Jeffrey O. Topp	46,300	—	46,300
Curtis R. Trulson	58,680	—	58,680
Michael E. Warner	47,900	—	47,900

(1) This column represents annual director fees, committee chairman fees and meeting attendance fees earned in fiscal year 2009. Directors are reimbursed for out-of-pocket travel expenses which are not included on this table.

(2) In July 2004, the Company and MVC Financial Services, Inc. ("MVC Financial") entered into a consulting agreement pursuant to which MVC Financial will provide certain business consulting services to the Company for annual compensation of $75,000 per year and the reimbursement of expenses. MVC Financial Services, Inc. is an affiliate of MVC Capital, Inc., a holder of 5% or greater of the Company's Common Stock. Michael T. Tokarz, a director of the Company, is a stockholder and Chairman of MVC Capital, Inc. The term of the consulting agreement shall continue until the earlier of (a) the occurrence of a Liquidity Event or (b) the termination by written notice from MVC Financial to the Company. For purposes of this consulting agreement, a "Liquidity Event" shall have occurred on such date that MVC Capital, Inc. no longer beneficially owns at least fifty percent (50%) of the shares of the Company's Common Stock acquired by MVC Capital Inc. pursuant to the Stock Purchase Agreement dated July 30, 2004 (as adjusted for stock splits, stock dividends, share contributions and the like) or the earlier sale of substantially all of the assets of the Company and the distribution of substantially all of the net proceeds thereof.

Effective October 2008, the Company provided its directors with compensation consisting of (i) a per diem payment of $1,300 (except for the Chairman of the Board and Chairman of the Audit Committee who will each receive $1,560 per day) for any day on which a director undertakes activities on the Company's behalf, including board meetings and other functions of the Company, (ii) a monthly fee of $2,600 (except for the Chairman of the

Board and Chairman of the Audit Committee who will each receive $3,120 per month), and (iii) reimbursement for out-of-pocket expenses incurred on behalf of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table furnishes information as to the beneficial ownership of the Company's Common Stock, Series C Convertible Preferred Stock, Series D Delivery Preferred Stock and Series F Convertible Preferred Stock by (a) each person known by us to beneficially own more than 5% of the issued and outstanding shares of the Company's voting securities, (b) each of the Company's executive officers, (c) each of the Company's directors and (d) all of the Company's directors and executive officers as a group.

The address of each person listed below is c/o Dakota Growers Pasta Company, Inc., One Pasta Avenue, Carrington, North Dakota 58421. Except as otherwise noted, each person listed below has sole investment discretion and voting power. In accordance with the Securities and Exchange Commission's rules, in computing the number of shares beneficially owned by a person and the percentage ownership of that person, securities subject to options held by that person that are currently exercisable or exercisable within 60 days of July 31, 2009 are treated as outstanding. These shares, however, are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

	Beneficially Owned Securities							
Name of Beneficial Owner	Number of Shares of Common Stock	Percent of Total Common Stock	Number of Shares of Series C Preferred	Percent of Total Series C Preferred	Number of Shares of Series D Preferred	Percent of Total Series D Preferred	Number of Shares of Series F Preferred	Percent of Total Series F Preferred
John S. Dalrymple III (1)	204,731	2.0%	—	—	315,000	2.8%	—	—
Allyn K. Hart	12,223	0.1	—	—	15,000	0.1	—	—
Roger A. Kenner (2)	109,596	1.1	—	—	140,000	1.2	—	—
James F. Link (3)	49,685	0.5	—	—	54,550	0.5	—	—
Eugene J. Nicholas (4)	53,394	0.5	—	—	58,951	0.5	—	—
John D. Rice, Jr. (5)	17,427	0.2	—	—	20,200	0.2	—	—
Jeffrey O. Topp (6)	325,541	3.2	—	—	271,420	2.4	—	—
Curtis R. Trulson (7)	43,403	0.4	—	—	61,750	0.5	—	—
Michael E. Warner	38,061	0.4	—	—	57,038	0.5	—	—
Timothy J. Dodd (8)	338,908	3.2	1,977	100%	238,248	2.1	—	—
Edward O. Irion (9)	48,061	0.5	—	—	—	—	—	—
Michael Tokarz (10)	1,016,195	10.0	—	—	—	—	1,065,000	100%
MVC Capital, Inc. (10)	1,016,195	10.0	—	—	—	—	1,065,000	100
Richard Thompson (11)	1,000,000	9.8	—	—	—	—	—	—
La Bella Holdings LLC (11)	1,000,000	9.8	—	—	—	—	—	—
All directors and officers as a Group (13 persons) (12)	3,257,225	30.8%	1,977	100%	1,232,157	10.9%	1,065,000	100%

(1) Includes 23,415 shares of Common Stock and 36,000 shares of Series D Delivery Preferred Stock held in the name of Mr. Dalrymple's spouse and 111,121 shares of Common Stock and 171,000 shares of Series D Delivery Preferred Stock held in the name of the John S. Dalrymple III Trust, of which Mr. Dalrymple is a

trustee.

(2) Includes 54,798 shares of Common Stock and 70,000 shares of Series D Delivery Preferred Stock held in the name of Mr. Kenner's spouse.

(3) Includes 48,052 shares of Common Stock and 53,050 shares of Series D Delivery Preferred Stock held in the name of Link Sugar Beet Farms Limited Partnership, of which Link Farms LLP is the general partner. Mr. Link has been granted a proxy to vote all common stock of the Company held by Link Sugar Beet Farms Limited Partnership. Mr. Link is also the sole holder of the class of limited partnership interests of Link Sugar Beet Farms relating to the Company's common stock and under the partnership

agreement, the approval of the reporting person is required with respect to certain dispositions of the Company's common stock by Link Sugar Beet Farms Limited Partnership. Mr. Link disclaims beneficial ownership to the extent his interest in Link Sugar Beet Farms Limited Partnership does not constitute a pecuniary interest.

(4) Includes 26,548 shares of Common Stock and 23,850 shares of Series D Delivery Preferred Stock held in the name of Mr. Nicholas' spouse.

(5) Includes 15,298 shares of Common Stock and 13,750 shares of Series D Delivery Preferred Stock held in the name of John Rice Farm.

(6) Includes 120,000 shares of Common Stock and 129,000 shares of Series D Delivery Preferred Stock held in the name of T-T Ranch and 11,482 shares of Common Stock and 16,125 shares of Series D Delivery Preferred Stock held in the name of Mr. Topp's spouse and children.

(7) Includes 2,203 shares of Common Stock and 6,750 shares of Series D Delivery Preferred Stock held in the name of Trulson Brothers.

(8) Mr. Dodd has been granted options that are currently exercisable or exercisable within 60 days of July 31, 2009, to purchase 1,977 shares of the Company's Series C Convertible Preferred Stock and 286,767 shares of the Company's Common Stock. Each share of Series C Preferred Stock is convertible into 24 shares of Common Stock and 24 shares of Series D Delivery Preferred Stock of the Company. The number of shares of Common Stock presented for Mr. Dodd includes 47,448 shares of Common Stock issuable upon exercise of the options to purchase Series C Preferred Stock of the Company and conversion of each such share of Series C Preferred Stock into 24 shares of Common Stock in the Company. The number of shares of Series D Delivery Preferred Stock presented for Mr. Dodd includes 47,448 of Series D Delivery Preferred Stock issuable upon exercise of the options to purchase Series C Preferred Stock of the Company and conversion of each such share of Series C Preferred Stock into 24 shares of Common Stock in the Company, with one share of Series D Delivery Preferred Stock issuable for each share of Common Stock so issued upon conversion. The number of shares of Common Stock presented for Mr. Dodd includes 286,767 shares of Common Stock issuable upon exercise of the options to purchase Common Stock.

(9) Mr. Irion has been granted options that are currently exercisable or exercisable within 60 days of July 31, 2009. The number of shares presented for Mr. Irion relate to Common Stock shares issuable upon the exercise of the options to purchase Common Stock.

(10) Includes 1,016,195 shares of Common Stock and 1,065,000 Series F Convertible Preferred Stock held by MVC Capital, Inc. Mr. Tokarz is listed as a beneficial owner as he is a stockholder and Chairman of MVC Capital, Inc. Mr. Tokarz shares voting and dispositive control over all shares held by MVC Capital, Inc. Mr. Tokarz disclaims any beneficial ownership of the Company's securities for purposes of Section 16(a) under the Securities Exchange Act of 1934, as amended, or otherwise, except to the extent of Mr. Tokarz's pecuniary interests therein. (The holder of Series F Convertible Preferred Stock has the right, exercisable at any time upon sixty-five (65) days' written notice to the Company, to convert any number of the holder's shares of Series F Convertible Preferred Stock into an equal number of shares of the Company's Common Stock.)

(11) Includes 1,000,000 shares of Common Stock held by La Bella Holdings LLC ("LBH") of which Mr. Thompson is the Chief Executive Officer and is a member of the board of managers. Mr. Thompson shares voting and dispositive control over all shares held by La Bella Holdings LLC. Mr. Thompson disclaims any beneficial ownership of the Company's securities for purposes of Section 16(a) under the Securities Exchange Act of 1934, as amended, or otherwise, except to the extent of Mr. Thompson's pecuniary interests therein.

(12) Includes 334,828 shares of Common Stock and 1,977 shares of Series C Convertible Preferred Stock issuable upon exercise of options exercisable within 60 days of July 31, 2009, and includes an additional 47,448 shares of Common Stock and 47,448 shares of Series D Delivery Preferred Stock issuable upon conversion of the Series C Preferred Stock underlying such options.

Equity Compensation Plan Information

See "Item 11. Executive Compensation" for a discussion of the material features of the Company's Stock Option Plans. The following table provides information regarding the Company's equity compensation plans as of July 31, 2009.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
	Options to purchase Series C Convertible Preferred Stock (1)		
Equity compensation plans approved by security holders	1,977	$ 117.35	—
	Options to purchase Common Stock		
Equity compensation plans approved by security holders	451,563	$ 4.63	32,237
Equity compensation plans not approved by security holders	190,800	$ 6.25	—

(1) Each share of Series C Convertible Preferred Stock is convertible into 24 shares of Common Stock and 24 shares of Series D Delivery Preferred Stock of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Independent Directors

Although none of the Company's securities are listed on any stock exchange or system of dealer quotation, the Company's Board of Directors follows the rules of the Securities and Exchange Commission and the Nasdaq Stock Market in determining independence for the Board of Directors and the Committees. Under the Nasdaq listing standards, at least a majority of the Company's directors must meet the test of "independence" as defined by Nasdaq. The Nasdaq standards provide that, to qualify as an "independent" director, in addition to satisfying certain bright-line criteria, the Board of Directors must affirmatively determine that a director has no relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board of Directors has determined that each current director, other than Mr. Tokarz and Mr. Topp, is "independent" as defined by the listing standards of the Nasdaq.

Jeffrey Topp, a director of the Company, sold wheat to the Company through an affiliated entity in fiscal year 2009. Those sales totaled $554,000 at current market prices and the Company had a commitment to purchase wheat totaling $187,500 from Mr. Topp and/or his affiliated entity as of July 31, 2009.

The Company has a Conflict of Interest policy which defines areas where the directors should avoid conflicts of interest or any appearance of a conflict of interest, so that the affairs of the Company will be carried out in an ethical manner. Pursuant to the policy, all directors are to fully disclose to the Company any proposed transaction that may give rise to a conflict of interest before it is consummated. The Board of Directors shall determine whether a conflict of interest exists and whether a proposed transaction may be approved.

See Item 10 — Directors, Executive Officers and Corporate Governance for the discussion of director independence.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table represents aggregate fees billed (in thousands) to the Company for fiscal years ended July 31, 2009 and 2008 by Eide Bailly LLP, the Company's principal accounting firm.

	Fiscal Year Ended	
	2009	2008
Audit Fees	$ 70	$ 77
Audit-Related Fees (a)	9	8
Tax Fees (b)	12	11
All Other Fees	—	—
Total Fees (c)	$ 91	$ 96

(a) Primarily benefit plan audit services.

(b) Primarily tax advisory and preparation services.

(c) The Audit Committee has approved all fees.

Auditor Services Pre-approval Policy

The Audit Committee has a formal policy concerning pre-approval of all services to be provided by Eide Bailly LLP, the Company's independent auditor, including audit, audit-related, tax and other services. The Chair of the Committee has the authority to pre-approve permitted services that require action between regular Committee meetings, provided a report of these services is given to the full Committee at the next regular meeting. The Committee approved all services provided by Eide Bailly LLP during fiscal year 2009.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following are filed as part of this report:

1. Financial Statements

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of July 31, 2009 and 2008

Consolidated Statements of Operations for the years ended July 31, 2009, 2008 and 2007

Consolidated Statements of Changes in Stockholders' Equity for the years ended July 31, 2009, 2008 and 2007

Consolidated Statements of Cash Flows for the years ended July 31, 2009, 2008 and 2007

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

All schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

3. Exhibits

2.1 Second Amended and Restated Plan of Merger between Dakota Growers Pasta Company and Dakota Growers Pasta Restructuring Cooperative. (Incorporated by reference to Exhibit 2.1 from the Company's Pre-Effective Amendment No. 2 to Form S-4 Registration Statement, File No. 333-81946, dated April 19, 2002).

2.2 Second Amended and Restated Merger Agreement between Dakota Growers Pasta Restructuring Cooperative and Dakota Growers Corporation. (Incorporated by reference to Exhibit 2.2 from the Company's Pre-Effective Amendment No. 2 to Form S-4 Registration Statement, File No. 333-81946, dated April 19, 2002).

2.3 Second Amended and Restated Merger Agreement between Dakota Growers Corporation and the Company, formerly Dakota Growers Restructuring Company, Inc. (Incorporated by reference to Exhibit 2.3 from the Company's Pre-Effective Amendment No. 2 to Form S-4 Registration Statement, File No. 333-81946, dated April 19, 2002).

2.4 Second Amended and Restated Transaction Agreement between Dakota Growers Pasta Company, Dakota Growers Pasta Restructuring Cooperative, Dakota Growers Corporation and the Company, formerly Dakota Growers Restructuring Company, Inc. (Incorporated by reference to Exhibit 2.4 from the Company's Pre-Effective Amendment No. 2 to Form S-4 Registration Statement, File No. 333-81946, dated April 19, 2002).

3.1 Second Amended and Restated Articles of Incorporation of the Company, formerly Dakota Growers Restructuring Company, Inc. (Incorporated by reference to Exhibit 3.1 from the Company's Pre-Effective Amendment No. 2 to Form S-4 Registration Statement, File No. 333-81946, dated April 19, 2002).

3.2 Second Amended and Restated Bylaws of the Company, formerly Dakota Growers Restructuring Company, Inc. (Incorporated by reference to Exhibit 3.3 from the Company's Pre-Effective Amendment No. 2 to Form S-4 Registration Statement, File No. 333-81946, dated April 19, 2002).

3.3 Certificate of Designation of Series E Junior Participating Preferred Stock of the Company, formerly Dakota Growers Restructuring Company, Inc. (Incorporated by reference to Exhibit 3.2 from the Company's Pre-Effective Amendment No. 2 to Form S-4 Registration Statement, File No. 333-81946, dated April 19, 2002).

3.4 Certificate of Designation of Series F Convertible Preferred Stock of the Company (Incorporated by reference to Exhibit 3.1 from the Company's Report on Form 8-K, File No. 000-50111, filed February 15, 2007).

4.1 Note Purchase Agreement dated July 15, 1998. (Incorporated by reference to Exhibit 4.1 from Dakota Growers Pasta Company's Amendment No. 1 to Form S-1 Registration Statement on Form S-1/A, File No. 333-65071, declared effective October 21, 1998).

4.2 Waiver and First Amendment to Note Purchase Agreements dated November 28, 2000. (Incorporated by reference to Exhibit 4.1 from Dakota Growers Pasta Company's Quarterly Report on Form 10-Q, File No. 33-99834, for the quarter ended October 31, 2000).

4.3 Waiver and Second Amendment to Note Purchase Agreement and Notes dated June 1, 2001. (Incorporated by reference to Exhibit 4.3 from Dakota Growers Pasta Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2001, File No. 33-99834).

10.1 Incentive Stock Option Plan. (Incorporated by reference to Exhibit 10.1 from Dakota Growers Pasta Company's Quarterly Report on Form 10-Q, File No. 33-99834, for the quarter ended April 30, 1998).

10.2 Master Lease Agreement dated March 6, 2002 and related Schedule A dated March 29, 2002 between Dakota Growers Pasta Company and Farm Credit Leasing Services Corporation. (Incorporated by reference to Exhibit 10.2 from the Company's Pre-Effective Amendment No. 2 to Form S-4 Registration Statement, File No. 333-81946, dated April 19, 2002).

10.3 Amended and Restated Share Rights Agreement, dated as of April 19, 2002, by and among the Company, formerly Dakota Growers Restructuring Company, Inc., and Wells Fargo Bank Minnesota, National Association, as Rights Agent. (Incorporated by reference to Exhibit 10.1 from the Company's Pre-Effective Amendment No. 2 to Form S-4 Registration Statement, File No. 333-81946, dated April 19, 2002).

10.4 Dakota Growers Pasta Company, Inc. 2002 Stock Option Plan. (Incorporated by reference to Exhibit 10.16 from the Company's Annual Report on Form 10-K, File No. 000-50111, for the year ended July 31, 2003).

10.5 Dakota Growers Pasta Company, Inc. Amended and Restated 2003 Stock Option Plan. (Incorporated by reference to Exhibit 10.6 from the Company's Quarterly Report on Form 10-Q, File No. 000-50111, for the quarter ended January 31, 2004).

10.6 Stock Purchase Agreement dated July 30, 2004 between the Company and MVC Capital, Inc. (Incorporated by reference to Exhibit 99.2 from the Company's Report on Form 8-K, File No. 000-50111, filed August 6, 2004).

10.7 Registration Rights Agreement dated July 30, 2004 between the Company and MVC Capital, Inc. (Incorporated by reference to Exhibit 99.3 from the Company's Report on Form 8-K, File No. 000-50111, filed August 6, 2004).

10.8 Consulting Agreement dated July 30, 2004 between the Company and MVC Financial Services, Inc. (Incorporated by reference to Exhibit 99.4 from the Company's Report on Form 8-K, File No. 000-50111, filed August 6, 2004).

10.9 Membership Unit Purchase Agreement effective May 1, 2005 between and among Dakota Growers Pasta Company, Inc., B-New, LLC, TechCom Group, LLC and Buhler, Inc. (Incorporated by reference to Exhibit 10.1 from the Company's Report on Form 8-K, File No. 000-50111, filed July 1, 2005).

10.10 Master Loan Agreement dated May 23, 2005 between the Company and CoBank, ACB. (Incorporated by reference to Exhibit 10.1 from the Company's Report on Form 8-K, File No. 000-50111, filed July 7, 2005).

10.11 Statused Revolving Credit Supplement entered into on January 13, 2009 between the Company and CoBank, ACB. (Incorporated by reference to Exhibit 10.1 from the Company's Report on Form 8-K, File No. 000-50111, filed January 16, 2009).

10.12 Non-Revolving Credit Supplement entered into on January 13, 2009 between the Company and CoBank, ACB. (Incorporated by reference to Exhibit 10.2 from the Company's Report on Form 8-K, File No. 000-50111, filed January 16, 2009).

10.13 Multiple Advance Term Loan Supplement, Loan No. RIE539T07A entered into on January 13, 2009 between the Company and CoBank, ACB. (Incorporated by reference to Exhibit 10.3 from the Company's Report on Form 8-K, File No. 000-50111, filed January 16, 2009).

10.14 Continuing Guarantee Agreement dated May 23, 2005 between Primo Piatto, Inc., a wholly-owned subsidiary of the Company, and CoBank, ACB. (Incorporated by reference to Exhibit 10.5 from the Company's Report on Form 8-K, File No. 000-50111, filed July 7, 2005).

10.15 Security Agreement dated May 23, 2005 between Primo Piatto, Inc. and CoBank, ACB. (Incorporated by reference to Exhibit 10.6 from the Company's Report on Form 8-K, File No. 000-50111, filed July 7, 2005).

10.16 Multiple Advance Term Loan Supplement, Loan No. RIE539T06B entered into on January 13, 2009 between the Company and CoBank, ACB. (Incorporated by reference to Exhibit 10.4 from the Company's Report on Form 8-K, File No. 000-50111, January 16, 2009).

10.17 Stock Purchase Agreement dated February 9, 2007 between the Company and MVC Capital, Inc. and La Bella Holdings, LLC. (Incorporated by reference to Exhibit 10.1 from the Company's Report on Form 8-K, File No. 000-50111, filed February 15, 2007).

10.18 Amendment to the Master Loan Agreement dated February 14, 2007 between CoBank, ACB and the Company. (Incorporated by reference to Exhibit 10.4 from the Company's Report on Form 8-K, File No. 000-50111, filed February 15, 2007).

10.19 Amendment to the Master Loan Agreement dated April 25, 2007 between CoBank, ACB and the Company. (Incorporated by reference to Exhibit 10.2 from the Company's Report on Form 8-K, File No. 000-50111, filed May 1, 2007).

10.20 Extended Term Schedule A dated March 30, 2007 of the Master Lease Agreement dated March 6, 2002 between the Company and Farm Credit Leasing Services Corporation. (Incorporated by reference to Exhibit 10.1 from the Company's Report on form 8-K, File No. 000-50111, filed April 4, 2007).

10.21 Unit Purchase Agreement dated September 21, 2007 between the Company, TechCom Group, LLC, Buhler Inc. and B-New, LLC. (Incorporated by reference to Exhibit 10.1 from the Company's Report on form 8-K, File No. 000-50111, filed September 27, 2007).

10.22 Continuing Guarantee Agreement dated January 29, 2008 between DNA Dreamfields Company, LLC, a wholly-owned subsidiary of the Company, and CoBank, ACB. (Incorporated by reference to Exhibit 10.4 from the Company's Report on Form 8-K, File No. 000-50111, filed February 1, 2008).

10.23 Security Agreement dated January 22, 2008 between DNA Dreamfields Company, LLC and CoBank, ACB. (Incorporated by reference to Exhibit 10.5 from the Company's Report on Form 8-K, File No. 000-50111, filed February 1, 2008).

10.24 Amendment to the Master Loan Agreement dated January 22, 2008 between CoBank, ACB and the Company. (Incorporated by reference to Exhibit 10.1 from the Company's Report on Form 8-K, File No. 000-50111, filed February 1, 2008).

21 Subsidiaries of the registrant.

Name of Subsidiary	Jurisdiction of Incorporation
Primo Piatto, Inc.	Minnesota
DNA Dreamfields Company, LLC	Ohio

23 Consent of Independent Registered Public Accounting Firm; Eide Bailly LLP.

31.1 Certification of Chief Executive Officer required by Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a).

31.2 Certification of Chief Financial Officer required by Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a).

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DAKOTA GROWERS PASTA COMPANY, INC.

By: /s/ Timothy J. Dodd

Timothy J. Dodd,
PRESIDENT AND CHIEF EXECUTIVE OFFICER,
AND PRINCIPAL EXECUTIVE OFFICER

Dated: October 29, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Timothy J. Dodd Timothy J. Dodd	President and Chief Executive Officer (Principal Executive Officer)	October 29, 2009
/s/ Edward O. Irion Edward O. Irion	Chief Financial Officer (Principal Financial and Accounting Officer)	October 29, 2009
/s/ John S. Dalrymple III John S. Dalrymple III	Director	October 29, 2009
/s/ John D. Rice, Jr. John D. Rice, Jr.	Director	October 29, 2009

SIGNATURES - continued

Signature	Title	Date
/s/ Curtis R. Trulson Curtis R. Trulson	Director	October 29, 2009
/s/ Allyn K. Hart Allyn K. Hart	Director	October 29, 2009
/s/ Roger A. Kenner Roger A. Kenner	Director	October 29, 2009
/s/ James F. Link James F. Link	Director	October 29, 2009
/s/ Eugene J. Nicholas Eugene J. Nicholas	Director	October 29, 2009
/s/ Richard Thompson Richard Thompson	Director	October 29, 2009
/s/ Michael T. Tokarz Michael T. Tokarz	Director	October 29, 2009
/s/ Jeffrey O. Topp Jeffrey O. Topp	Director	October 29, 2009
/s/ Michael E. Warner Michael E. Warner	Director	October 29, 2009

EXHIBIT S

Pasta Strikes Back

Companies are producing noodles with less carbs and more vitamins, but how do they taste?

From: http://www.presstelegram.com/
By Alessandra Djurklou, Staff writer

Though the low-carb craze is waning, high-carb food manufacturers, such as bakers and pasta makers, are still feeling the pinch in their profits. Add to that the increased awareness of diet-induced diabetes and other illnesses, and it's no surprise that "healthier' foods from these companies are rolling into markets every day.

When even Italian pasta giant Barilla jumps on the bandwagon, however, you know it's serious. That's why I decided to dedicate a Test Kitchen column to these "healthier' pastas, though I still eat regular pasta with abandon.

Along with a willing guinea pig, I tested four brands, including the aforementioned

Healthy Eating With Pasta
Important Weight Loss News for People with Diabetes
ADA Comments On Low-Carb Diets
Diabetes Writer Recommends Dreamfields
Mendosa Gives Thumbs Up
READ ALL NEWS STORIES >>

Barilla's new product. "Barilla PLUS' is not technically a low-carb pasta, though with more protein and fiber, it is clearly meant to attract that set of consumers.

In fact, of the four brands I tested, only Dreamfields was directly aimed at low-carb dieters. Ronzoni's "Healthy Harvest' line was aimed at high-fiber lovers, while Anthony's offered enriched noodles as well as low-carb ones. For the purposes of my test, I went with Anthony's enriched rainbow rotini.

For a control, I included a sample of Barilla's regular pasta.

To ensure that each sample wasn't overwhelmed by a strong sauce, I simply tossed each with some extra virgin olive oil, salt and pepper and Parmesan cheese.

Interestingly, the winner was the Dreamfields low-carb brand. It was also the most expensive, at $3.79 for a 1-pound box. The other brands all cost less than $2. Dreamfields was also not the most calorie slim. That was Ronzoni, with 180 calories per serving.

Here is how the test broke down:

BARILLA PLUS PENNE

- Price: $1.69 for 1-pound box
- Calories per serving: 200
- Carbs per serving: 38 grams
- Recommended?: Yes

Comments: While smaller and tanner than their regular semolina counterparts, these penne nonetheless had a virtually identical taste and mouth feel. Eating healthy in this case is not a sacrifice, taste-wise or penny-wise, since this product is only 10 cents more than its regular counterpart.

ANTHONY'S RAINBOW ROTINI

- Price: $1.89 for 1-pound bag
- Calories per serving: 210
- Carbs per serving: 41 grams
- Recommended?: Yes

Comments: These rotini are perfectly serviceable, though there is no noticeable taste difference between the so-called spinach rotini and tomato ones. But for a purely cosmetic look, these sure make a pasta salad look pretty.

PENNE WITH OLIVES, BASIL AND CHEESE

- 1 1-pound package penne
- 1 bunch basil, washed, leaves only, roughly chopped
- 4 tablespoons olive oil
- ½ cup grated Parmesan cheese
- 1 cup whole Kalamata olives
- Salt and pepper, to taste

Cook penne according to package specifications. Drain.

While penne are cooking, heat 2 tablespoons oil in a skillet. Add basil, and fry until crisp.

Place cooked pasta in a heated bowl. Add basil, remaining olive oil, cheese and olives. Season. Toss to coat well.

Serve with crusty bread and extra cheese.

Makes 4 dinner servings.

PENNE WITH ZUCCHINI AND RICOTTA

- 2 tablespoons olive oil
- 1 clove garlic, chopped
- 2 pounds zucchini, halved lengthwise and sliced thin
- 1/4 teaspoon salt
- 3/4 teaspoon pepper
- 1 1-pound box penne
- 1 cup ricotta cheese
- 1/4 cup Parmesan cheese
- 1 tablespoon fresh marjoram, chopped

Heat olive oil in a large skillet. Add garlic, and cook until just fragrant. Add zucchini, salt and pepper. Cook over medium heat 8 minutes.

Cook penne according to package directions. Drain, reserving 1 cup cooking liquid.

Add penne and reserved liquid to skillet. Add cheeses and marjoram.

Toss ingredients in skillet for 1 minute, or until sauce thickens.

Makes 4 dinner servings.

DREAMFIELDS FOODS 1600 UTICA AVE S SUITE 350 ST. LOUIS PARK, MN 55416 1-800-250-1917

EXHIBIT T

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Dakota Growers Pasta Co. — Ever changing, ever evolving

Reprinted from The Minot Daily News, North Dakota

- Usted Habla Español?

The long goods stripper handles long pasta such as spaghetti. Dakota Growers Pasta Company makes a wide assortment of pasta, and is capable of producing anywhere from 80 to 100 different shapes.

CARRINGTON — The Dakota Growers Pasta Co. has changed and evolved throughout the years, as it has expanded its capabilities and found new markets for its ever-expanding list of products.

Tim Dodd, president and CEO of Dakota Growers, said it all started back in 1991 with an interim board that was kind of set up through the U.S. Durum Growers Association. Jack Dalrymple, current lieutenant governor of North Dakota, and Gene Nicholas were members of that board who had done a feasibility study on building a value-added integrated facility in North Dakota.

The idea, basically, was to form a farmer-owned pasta company.

“The study came back fairly positive and they decided to take a look at ... building this kind of plant,” Dodd said.

Dodd, who had been good friends with Nicholas for some time, was convinced to join the company in December 1991, and an equity drive quickly followed from January to March of 1992 to secure financing for the $40 million facility. The new facility was up and running by November 1993.

They were able to double the size of the mill and the pasta plant in 1996, and then they doubled the size of the operation yet again in 1998 with the purchase of a pasta plant in New Hope, Minn. Since the plant in New Hope doesn’t have a mill of its own, the Carrington mill supplies semolina, the granular product used to make pasta, to both pasta plants in Carrington and New Hope.

The farmer-owned co-op was doing well until scab disease devastated much of the durum triangle in north central North Dakota. Most of the co-op membership was east of Minot, which was a heavy durum producing area.

"And then as Fusarium head blight (scab) set in, basically the quality of the wheat wasn't something we could produce pasta (with)," Dodd said. "So we had to go outside our membership procuring the durum, which ended up being western North Dakota and Montana."

Because so much durum had to be acquired from outside of the membership, the board decided to turn DGPC from a co-op into a C corporation in 2002, which allowed non-farmers to become shareholders. Dodd said that as a co-op, only farmers were allowed to become shareholders in the company. The change enabled them to get more equity from outside of the farming circle that had been severely impacted by scab disease.

"It allowed us to bring in outside equity, which obviously strengthened our balance sheet. It allowed us to do some things (with) the modernization of the facilities."

The move from co-op to C corporation allowed DGPC to raise an additional $5 million in equity almost immediately by issuing stock to a group in New York called MVC Capital.

At present time, the mill can grind around 12 million bushels of durum a year, which supplies not only the pasta plants at Carrington and New Hope, but other pasta plants around the country as well. At full capacity, the pasta plant in Carrington can produce approximately 270 million pounds of pasta per year, while the New Hope facility can do around 230 million pounds per year, giving DGPC a total combined capacity of around 1/2 billion pounds of pasta produced per year.

Dodd noted that depending on the shape and the amount of pasta a customer may need, the plant is capable of producing around one million pounds of pasta in a single day. The expansions of Dakota Growers has helped it become the third-largest pasta producer in North America.

Dodd said that they now get a majority of their grain from the area, beginning at U.S. Highway 83 in central North Dakota, including the southwest corner of the state, and extending all the way out to Plentywood, in eastern Montana. He noted that in the last couple of years, there hasn't been much of a scab problem east of Highway 83, so Dakota Growers has been able to get more durum from that area and save themselves some shipping costs.

"We haven't really had a scab problem in durum for the last two years, so we're seeing some durum production coming back into the

traditional durum growing areas. ... Which is good for us, because it's closer to the plant," Dodd said.

To help protect against future outbreaks of scab, Dodd said Dakota Growers has launched an agronomy program that has developed a new variety of durum that is very resistant to scab. He said they hope to have that seed in production within two years.

"Hopefully that will bring that durum production back into these traditional areas closer to the plant, so we don't spend so much money on freight," Dodd said.

Once the pasta is made, it can be sold in one of three avenues. Dodd said a big part of their business is producing pasta for store brands, which are also known as private labels. These are places like supermarkets and other retailers who in turn sell the pasta to their customers, primarily under their own store brands. This comprises about 40 percent of Dakota Grower's business.

"When you're producing half a billion pounds (of pasta) a year, obviously you can feed eight people per pound, so you're not gonna depend on North Dakota to consume that much pasta," Dodd said. "So our biggest customers in the private label would be on the East Coast, the West Coast and the Midwest. It's kind of split up into three different regions."

Another 30 percent of the business goes to the food service industry, with the pasta being sold under the Dakota Growers label. The food service industry is comprised of both distributers and restaurant chains.

The last 30 percent goes to what is called the ingredient business. Dodd said this is any company that uses the pasta as an ingredient in their own products, an example of which would be a microwave dinner.

These were the three markets that they had decided to pursue when a market analysis was done at the company's inception. That market analysis done in the early '90s ended up being a pretty accurate representation of how the business is doing now.

"We hit it pretty close to the nose, 30 percent in each of those categories," Dodd said. "And that had a lot to do with the layout and design on the packaging floor."

With their original markets firmly established, Dakota Growers has been extending its reach into new markets. In 2004, it started developing a new type of pasta called Dreamfields. This was a health-

oriented pasta that had many of the health benefits of whole wheat pasta while tasting like traditional pasta.

Dreamfields pasta has only five digestible carbohydrates per serving versus 42 in traditional pasta, and it also has about the same high fiber as whole wheat pasta. Dodd noted that Dreamfields' fiber content is comparable to whole wheat pasta, with Dreamfields having five grams of fiber compared to six grams of fiber for whole wheat pasta.

"As far as fiber benefits, you get it without sacrificing any taste or texture in the pasta," Dodd said. "If you look at it and use it, it's just like using traditional pasta, whereas whole wheat pasta is brown and it's got kind of a bitter taste to it. With Dreamfields, you really won't notice any taste difference or texture difference."

When it first came out, it was marketed as a low-carb food because of the popularity of the Atkins diet. But now Dodd said that has pretty much passed by, and they now market Dreamfields to diabetics because carbs are converted to glucose, and its low digestible carbs make it perfect for that target group.

"Now no one talks about low carb (anymore), they talk about low glycemic index," Dodd said.

He noted that Dreamfields does cost more than traditional pasta, but that hasn't seemed to stop consumers who want a healthier lifestyle. Dodd said they are getting good results marketing Dreamfields as a healthy pasta, and the numbers bear that out as the label earns about $13 million in annual sales.

In addition to the good taste and health benefits, Dreamfields comes in six different shapes — spaghetti, linguine, elbow macaroni, penne rigate, rotini and lasagna.

While they have expanded out into other areas, DGPC has kept its eye on the core products that made it profitable to begin with. Dodd said they will continue to work on growing all three of their core market segments.

"Food service and our ingredients segment is probably growing the fastest. That's where we're seeing the growth on the pasta consumption," Dodd said. "Retail pasta consumption is pretty much flat. It really hasn't been growing that much."

He said the Dakota Growers label is also doing well within its market segment. He noted that it does get sold a little bit in the South, but it is

still pretty-much a local brand.

“(Dakota Growers) does well in North Dakota because people know who we are,” Dodd said. “We really don’t market it outside of North Dakota and Montana and Minnesota.”

While Dakota Growers may be a local brand, Dreamfields is a national brand and is being sold across the entire United States. Dodd mentioned that they have just recently started exporting it to Great Britain. He stated they’d just have to wait and see how it goes, but he is hopeful that it will do well over there.

“Europeans typically are more aware of these low g.i. (glycemic index) diets and benefits than Americans are. ... That makes it a perfect product for that market,” Dodd said.

Low stocks of wheat have been projected this year based upon a number of factors — drought and the heavy use of corn to supply the ethanol industry chief among them. Dodd said that low supplies of durum probably will have an impact on Dakota Growers, but he doesn’t see getting enough wheat to keep the mill going as being a problem.

“I think you’ll see the impact more just in what it’s going to cost to encourage farmers to put acres in,” Dodd said.

He noted that their board right now shows durum going for about $5.75 a bushel, whereas last year at this time it was hovering around $4 a bushel. He said the price has gone up primarily because durum acres have been reduced.

“We saw a 47 percent decline in acres last year, and I don’t expect it will probably go up too much this year,” Dodd said. “Even though durum prices being up almost $2 a bushel, we could see some increased acres because that would encourage farmers to plant (durum).”

Dodd thinks increased wheat prices are actually good for everyone. They’re obviously good for the farmers, and while price increases will trickle down the chain, he doesn’t see them being as big a deal to consumers as they would be to farmers.

“Let’s put it this way,” Dodd said. “If you had $2 a bushel increase on wheat, that’d be approximately five cents a pound at the grocery store for pasta. ... Is five cents going to make a difference to you when buying your pasta? Probably not. But it makes a hell of a difference to that durum grower out there.”

Dodd said North Dakota is a large milling state, with Dakota Growers being one of the largest durum mills under one roof in the country, the North Dakota Mill and Elevator in Grand Forks being the largest flour mill in the country, and Minot Milling in Minot being a large durum and hard red spring wheat mill. And those are just a few of the many mills in the state.

“You combine all that milling capacity, we generate a lot of byproducts in this state. And our byproducts are primarily what we call mill feed,” Dodd said.

Mill feed is used as a cattle ration and is made into easily transportable pellets.

He stated that they are conducting a research project at the North Dakota State University Carrington Research Extension Center to combine many of the byproducts produced in North Dakota, notably mill feed and distillers grain from ethanol plants, into a value-added feed in the form of a pellet. Some of the tests have even included pea flour. He noted that so far tests on cattle have been very positive.

While distillers grain is itself a fine cattle feed, Dodd mentioned that it is tough to transport across long distances because it is a difficult material to handle and has a tendency to cake in rail cars. But if this new feed can be perfected, it would be a boon for many North Dakota industries.

“And what we’re trying to accomplish if we come up with a feed ration that shows better gain in cattle by combining mill feed and ddgs (dry distillers grain) and pelletizing them, now you don’t have the transportation problems because pellets don’t cake. ... As long as the gain is as good or better than, say feeding corn, we have a very good value-added feed,” Dodd said. “Which could benefit all the mills, it could benefit all the ethanol plants, it would be a huge impact in this state.”

DREAMFIELDS FOODS_1600 UTICA AVE S_SUITE 350_ST. LOUIS PARK, MN 55416_1-800-250-1917

JS 44 (Rev. 12/12)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. *(SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)*

I. (a) PLAINTIFFS

(b) County of Residence of First Listed Plaintiff Monmouth County
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys *(Firm Name, Address, Email and Telephone Number)*
ZAREMBA BROWNELL & BROWN PLLC
1425 Broad Street - 2nd Floor
Clifton, New Jersey 07013 dgluck@zbblaw.com (212) 380-6700

DEFENDANTS

County of Residence of First Listed Defendant Hennepin County,MN
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

Attorneys *(If Known)*

II. BASIS OF JURISDICTION *(Place an "X" in One Box Only)*

- ☐ 1 U.S. Government Plaintiff
- ☐ 3 Federal Question *(U.S. Government Not a Party)*
- ☐ 2 U.S. Government Defendant
- ☒ 4 Diversity *(Indicate Citizenship of Parties in Item III)*

III. CITIZENSHIP OF PRINCIPAL PARTIES *(Place an "X" in One Box for Plaintiff and One Box for Defendant)*
(For Diversity Cases Only)

	PTF	DEF		PTF	DEF
Citizen of This State	☒ 1	☐ 1	Incorporated *or* Principal Place of Business In This State	☐ 4	☐ 4
Citizen of Another State	☒ 2	☐ 2	Incorporated *and* Principal Place of Business In Another State	☐ 5	☒ 5
Citizen or Subject of a Foreign Country	☐ 3	☐ 3	Foreign Nation	☐ 6	☐ 6

IV. NATURE OF SUIT *(Place an "X" in One Box Only)*

CONTRACT
- ☐ 110 Insurance
- ☐ 120 Marine
- ☐ 130 Miller Act
- ☐ 140 Negotiable Instrument
- ☐ 150 Recovery of Overpayment & Enforcement of Judgment
- ☐ 151 Medicare Act
- ☐ 152 Recovery of Defaulted Student Loans (Excludes Veterans)
- ☐ 153 Recovery of Overpayment of Veteran's Benefits
- ☐ 160 Stockholders' Suits
- ☐ 190 Other Contract
- ☐ 195 Contract Product Liability
- ☐ 196 Franchise

REAL PROPERTY
- ☐ 210 Land Condemnation
- ☐ 220 Foreclosure
- ☐ 230 Rent Lease & Ejectment
- ☐ 240 Torts to Land
- ☐ 245 Tort Product Liability
- ☐ 290 All Other Real Property

TORTS

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- ☐ 310 Airplane
- ☐ 315 Airplane Product Liability
- ☐ 320 Assault, Libel & Slander
- ☐ 330 Federal Employers' Liability
- ☐ 340 Marine
- ☐ 345 Marine Product Liability
- ☐ 350 Motor Vehicle
- ☐ 355 Motor Vehicle Product Liability
- ☐ 360 Other Personal Injury
- ☐ 362 Personal Injury - Medical Malpractice

PERSONAL INJURY
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- ☐ 367 Health Care/ Pharmaceutical Personal Injury Product Liability
- ☐ 368 Asbestos Personal Injury Product Liability

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- ☐ 385 Property Damage Product Liability

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- ☐ 445 Amer. w/Disabilities - Employment
- ☐ 446 Amer. w/Disabilities - Other
- ☐ 448 Education

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- ☐ 510 Motions to Vacate Sentence
- ☐ 530 General
- ☐ 535 Death Penalty

Other:
- ☐ 540 Mandamus & Other
- ☐ 550 Civil Rights
- ☐ 555 Prison Condition
- ☐ 560 Civil Detainee - Conditions of Confinement

FORFEITURE/PENALTY
- ☐ 625 Drug Related Seizure of Property 21 USC 881
- ☐ 690 Other

LABOR
- ☐ 710 Fair Labor Standards Act
- ☐ 720 Labor/Management Relations
- ☐ 740 Railway Labor Act
- ☐ 751 Family and Medical Leave Act
- ☐ 790 Other Labor Litigation
- ☐ 791 Employee Retirement Income Security Act

IMMIGRATION
- ☐ 462 Naturalization Application
- ☐ 465 Other Immigration Actions

BANKRUPTCY
- ☐ 422 Appeal 28 USC 158
- ☐ 423 Withdrawal 28 USC 157

PROPERTY RIGHTS
- ☐ 820 Copyrights
- ☐ 830 Patent
- ☐ 840 Trademark

SOCIAL SECURITY
- ☐ 861 HIA (1395ff)
- ☐ 862 Black Lung (923)
- ☐ 863 DIWC/DIWW (405(g))
- ☐ 864 SSID Title XVI
- ☐ 865 RSI (405(g))

FEDERAL TAX SUITS
- ☐ 870 Taxes (U.S. Plaintiff or Defendant)
- ☐ 871 IRS—Third Party 26 USC 7609

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- ☐ 410 Antitrust
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- ☐ 470 Racketeer Influenced and Corrupt Organizations
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- ☒ 890 Other Statutory Actions
- ☐ 891 Agricultural Acts
- ☐ 893 Environmental Matters
- ☐ 895 Freedom of Information Act
- ☐ 896 Arbitration
- ☐ 899 Administrative Procedure Act/Review or Appeal of Agency Decision
- ☐ 950 Constitutionality of State Statutes

V. ORIGIN *(Place an "X" in One Box Only)*

- ☒ 1 Original Proceeding
- ☐ 2 Removed from State Court
- ☐ 3 Remanded from Appellate Court
- ☐ 4 Reinstated or Reopened
- ☐ 5 Transferred from Another District *(specify)*
- ☐ 6 Multidistrict Litigation

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing ***(Do not cite jurisdictional statutes unless diversity)***:
28 U.S.C. §§ 1332(d)(2)(A)

Brief description of cause:
False advertising and breach of express warranty

VII. REQUESTED IN COMPLAINT:

☒ CHECK IF THIS IS A **CLASS ACTION** UNDER RULE 23, F.R.Cv.P.

DEMAND $

CHECK YES only if demanded in complaint:
JURY DEMAND: ☒ Yes ☐ No

VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE _____ DOCKET NUMBER _____

DATE

SIGNATURE OF ATTORNEY OF RECORD
s/Daniel Gluck

FOR OFFICE USE ONLY

RECEIPT # _____ AMOUNT _____ APPLYING IFP _____ JUDGE _____ MAG. JUDGE _____

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INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44

Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

I.(a) **Plaintiffs-Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.

(b) **County of Residence.** For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)

(c) **Attorneys.** Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".

II. **Jurisdiction.** The basis of jurisdiction is set forth under Rule 8(a), F.R.Cv.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.
United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here.
United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.
Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.
Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below**; NOTE: federal question actions take precedence over diversity cases.**)

III. **Residence (citizenship) of Principal Parties.** This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.

IV. **Nature of Suit.** Place an "X" in the appropriate box. If the nature of suit cannot be determined, be sure the cause of action, in Section VI below, is sufficient to enable the deputy clerk or the statistical clerk(s) in the Administrative Office to determine the nature of suit. If the cause fits more than one nature of suit, select the most definitive.

V. **Origin.** Place an "X" in one of the six boxes.
Original Proceedings. (1) Cases which originate in the United States district courts.
Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441. When the petition for removal is granted, check this box.
Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.
Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.
Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.
Multidistrict Litigation. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407. When this box is checked, do not check (5) above.

VI. **Cause of Action.** Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC 553 Brief Description: Unauthorized reception of cable service

VII. **Requested in Complaint.** Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.
Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction.
Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.

VIII. **Related Cases.** This section of the JS 44 is used to reference related pending cases, if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.

Date and Attorney Signature. Date and sign the civil cover sheet.