



Mr. Jeff Burket, Chairman
South Dakota State Railroad Board
1950 Mineral Place
Spearfish, SD 57783

Dear Mr. Burket,

Farmers Pride recently made a large investment in an off track grain facility in Avon, SD. I am considering the construction of a shuttle train elevator near Avon to serve area farmers, but only if the State Railroad Board resolves problems caused by past mismanagement of the Napa-Platte rail line. Sunflour Railroad has been very helpful in keeping me informed of the State's plans for this line, and has recommended that I inform you, in your role as Chairman of the Board, of some of my concerns.

The first issue involves protection of the trackage rights that give shippers on this line access to railroads in addition to BNSF. One of the proposals before the Board is to purchase the line outright. The problem with the proposal is that, as soon as the line is no longer owned by the State, BNSF can cancel the trackage rights at any time of its choosing. I must inform you that if the line is sold, it will be very difficult for me to risk Farmers Pride's resources by proceeding with construction of a shuttle elevator.

Another issue relates to a proposal to lease the line for ten years, with the option to renew for up to four additional ten year terms (total of fifty years). Also, if a decision is made to purchase the line, the operator will be obligated to refund all grants and other public monies that have been involved in the line. I have two concerns about this. First, the number of years involved in the lease means there will be an unknown future successor(s) owner of the company. Second, when the time comes to refund the grants that have rebuilt the track, the owner at that time will face the temptation to engage in final profit taking and then walk away.

As with the trackage rights issue, if this proposal is selected it will be difficult to risk Farmers Pride's financial resources by committing to the huge cost of a shuttle elevator.

For a couple reasons I do support Sunflour's proposal. Of all the parties involved with the State's plan for the Napa-Platte line, Sunflour is the only entity that has reached out to Farmers Pride and kept me informed of developments. Also, I am favorably impressed by how Sunflour's owner took a small business in Denver and built it into the successful rail operation it is today. These skills will be necessary if the Napa-Platte line is to be successful.

I would like to suggest an addition to Sunflour's proposal. If that proposal is selected, and if at some future time Sunflour should wish to exercise an option to buy the line, shippers should be part of that process. I ask this primarily to assure that trackage rights are given due attention and protection.

I hope you and your fellow Board members understand my concerns and will address them. The Napa-Platte line has the potential to be a successful operation, and I look forward to working with you to achieve that goal.

Sincerely,

A handwritten signature in dark ink that reads "Dean Thernes".

Dean Thernes
President/CEO Farmers Pride Cooperative