

L.G. Everist, Inc./D&I Railroad Company

Proposal to Purchase State-Owned Sioux Valley Rail Line

November 21, 2019

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Overview

L.G. Everist, Inc./D&I Railroad Company (“Everist”) submits this Proposal for the purchase of the Sioux Valley Line (“Line”) per the requirements listed in the “South Dakota (“State”) Department of Transportation (“DOT”) Invitation for Proposals to Purchase State-owned Rail Lines (“IFP”)” dated August 26, 2019.

We understand the State’s goals and objectives when considering the sale of the Line. Everist’s objectives are in complete alignment with those presented by the State in the IFP:

1. *Support economic growth and development throughout the State of South Dakota through increased rail traffic volume, tax revenues, and job creation.*
 - Everist has demonstrated an ability to increase rail traffic on the Line. Since 1981 when rail traffic consisted of mostly rock and occasional shipments of grain, the Line has grown to routinely ship 16,000 to 20,000 car loads of aggregates, cement, ethanol, corn oil, chemicals, plastic resins, and other cargo. New shippers on the Line have produced new jobs in rural areas. The rail traffic and corresponding jobs, development, and infrastructure needs have created new tax sources for the State.
2. *Ensure connectivity for critical industries and sustain rail access to the communities and surrounding areas served by the Line.*
 - Everist provides rail service for two ethanol plants located on or near the Line. Ethanol production has been critical to the economic outlook for rural South Dakota communities through job creation and new marketing opportunities for local farmers. In addition to ethanol, Everist serves the building materials, construction, grain marketing, and manufacturing industries with rail service on the Line.
3. *Enhance customer service, development opportunities, and new customer creation.*
 - Over the past forty years, Everist has worked unceasingly on improving the condition of the line and the capabilities of its rail fleet. Our service record to shippers on the Line is unmatched. We also continue to work to attract new shippers to the Line. Through industry relationships, local and regional economic development groups, and our existing customer base, we are in contact with potential new shippers continually. The interchange agreement allowing access to three Class I railroads is critical to attracting new shippers. Our rail yard in Sioux City, IA is the link that makes the interchange agreement work and would be very difficult for another operator to replicate in order to physically interchange cars in Sioux City.
4. *Improve railroad safety, security, and resiliency.*
 - Everist makes every effort to maintain a safe operating environment on the Line. Through regular employee training events, thorough rail line and equipment inspection and maintenance programs, and a company commitment to safe,

effective rail service, we are determined to promote the Line as a safe, reliable, and cost-effective means of serving the transportation needs of the State.

5. *Return state-owned assets to private sector ownership, operation, and development.*
 - Everist is a South Dakota based, family owned and managed organization with nearly forty years of experience operating the Line. Many of our employees live in communities served by the Line. We have made and will continue to make significant investments to all of our operations in the area served by the Line. Competitive rail rates are critical to our business both in terms of our cost of doing business and our ability to attract new customers. We are the best choice to meet this objective.

The numbering system used in this Proposal corresponds to the system used in the IFP.

3. Proposal Requirements

3.1 Proposer Information

3.1.1 The lead contact for official correspondence regarding this proposal:

Mr. Robert Everist, CEO / President
605-330-6562
robeverist@lgeverist.com

With a copy to:

Mr. Steve Mousel, CFO / Vice President-Resources
605-330-6564
sjmousel@lgeverist.com

3.1.2. Everist is the current operator on the Line via its wholly-owned subsidiary D&I Railroad Company("D&I"). D&I began operations in 1981 in response to the bankruptcy of the Milwaukee Road Railroad Company.

In addition to the Line, D&I operates on 19 miles of Everist owned rail line running from Dell Rapids, SD to Sioux Falls, SD. Access between the Everist owned line and the Line is granted via operating rights with the BNSF creating a 128-mile rail corridor from Dell Rapids to Sioux City, IA (see Exhibit 1- D&I Railroad System Map).

In Sioux City, Everist's rail yard provides the crucial physical link between the rights established in the interchange agreement and the actual means to effectuate those rights. It would be very difficult for another short line operator to replicate this yard as the

geography of Sioux City and the existing rail infrastructure do not lend themselves to placement of another yard (see Exhibit 2 - D&I Railroad Sioux City Interchange Map).

D&I has provided rail service to Dell Rapids, Sioux Falls, Canton, Beresford, Hawarden, Sioux City, and all locations in between, handling a variety of commodities for a diverse group of businesses. During this period, Everist has worked diligently through public-private partnerships to invest in numerous capital projects involving bridge replacements, track and tie maintenance, and new rail to ensure that the Line continues to provide reliable, safe, and fully accessible service. Through its thorough maintenance program, contributions to capital improvements, and interest paid to the State for loans related to capital improvement projects, Everist has conservatively invested over \$40 million dollars in the Line since 1981.

3.1.3. Everist, a South Dakota based, family owned and managed company, began operations in 1876 under the leadership of Lucius G. Everist. Today, members of the fourth and fifth generation of the family lead the company. Officers of the company and their years of service with Everist:

Richard A. Everist, Jr	Chairman of the Board	34 years
Robert E. Everist	CEO/President	28 years
Dennis L. Fields	Chief Operating Officer	40 years
Steven J. Mousel	Chief Financial Officer / Vice President Resources	13 years
Richard A. Everist, III	Vice President – Midwest	9 years
Matthew S. Noteboom	Vice President – Mountain	13 years

In addition to the corporate officers, direct management of D&I is comprised of:

Scott A. VanDenTop	General Manager	16 years
Timothy E. Smith	Operation Manager	14 years

3.1.4. L.G. Everist, Inc. owns 100% of the outstanding stock of D&I Railroad Company.

3.1.5. Neither L.G. Everist, Inc. or D&I Railroad Co. have filed for bankruptcy since their inceptions in 1876 and 1981 respectively. No operational issues outside of temporary disruptions related to normal equipment downtimes or weather-related damage has been experienced.

3.1.6. D&I Railroad Co. has not been fined or assessed a civil penalty by federal, state, or municipal agencies in the past five years. As a part of bi-annual inspections performed

by MSHA, L.G. Everist, Inc. has received minor assessments at various mining facilities in the past five years.

3.1.7. Everist has experienced steady growth over the past forty years while operating on the Line. Our primary goal for the Line is to attract new shippers, both regional and national, looking to expand their operations into South Dakota, northwest Iowa, and southwest Minnesota. We believe the combination of rail and highway transportation via the proximity of the interstate highway system from various locations on the Line provide an excellent transportation network for prospective customers. To achieve that goal, we will continue to develop rail infrastructure along the line. The addition of track to expand transload capabilities and storage of cars, passing track to improve traffic flow, and the continued upgrade of existing track and bridges are all planned for the near future.

In addition to our internal efforts, Everist actively participates in short line railroad groups sponsored by Union Pacific and BNSF. We are also a member of the American Short Line Rail Road Association. Membership in these groups allows us to form relationships and tap resources across the nation and find new marketing opportunities for the Line.

3.1.8. Based on our history operating the Line, we expect to be successful in meeting our goal of steady car and revenue growth on the Line. The challenges to meeting our goal are the rural location of the Line, the high capital costs associated with expanding railroad capacity, and the ongoing costs of dealing with the Big Sioux River.

The location of the Line in a rural area can limit the potential products that benefit from rail service. To compete with the flexibility offered by trucks, rail requires large volumes, long hauls, and relatively homogenous products in order for its cost advantage to materialize. Agricultural products afford us the best opportunity to be successful but are also highly served in the area. To supplement this category of products, we look to building materials, manufacturing components, and other bulk commodities to build traffic.

The cost to build railroad infrastructure is significant. The cost to prepare a site and lay track can exceed \$250 per foot of track. This cost does not include the equipment necessary to provide the services associated with the track. The investment in rail capacity often exceeds the value of a single business opportunity. Our long-term approach to business gives us the patience required to see value in projects with an extended payback schedule.

The proximity of the Line to the Big Sioux River poses an ongoing challenge. Flooding along the Line has been commonplace over the past forty years, however recent flood events have proven even more destructive. In the past several years we have seen two and three events per year. The usual series of track washouts have been accompanied by bridge damage including the complete destruction of a bridge in 2019. The flood related

costs to maintain the Line and the downtime to repair the damage consumes many of the resources that could otherwise be allocated to attracting new shippers and expanding services along the Line.

3.2 Lines to be Purchased

Everist submits this proposal for the purchase of the entire Sioux Valley Line as defined in Section 1.2 of the IFP including all right-of-way, sidings, or other adjacent properties and further defined as (to be confirmed as part of Due Diligence):

EAST WYE SWITCH TO CANTON

Commencing at the intersection with the Canton to Chamberlain Line in the NW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 24, Township 98 North, Range 48 West of the 5th P.M., also known as Milepost 49.4 and additionally known as Railroad Engineer's Survey Station Number 97+80.5, and extending in a southerly direction approximately 49.4 miles in and through the counties of Lincoln and Union, South Dakota, and the counties of Sioux and Plymouth, Iowa, and terminating at the intersection with the North Sioux City to Mitchell Line in the SE $\frac{1}{4}$ of Section 19, Township 91 North, Range 49 West of the 5th P.M., in Union County, South Dakota, also known as Milepost 0.0, and additionally known as Railroad Engineer's Survey Station Number 00+0, containing a gross area of 622 acres, more or less, all of which is more particularly described on those certain right-of-way maps and track maps designated V.S.D. 17/14; V. Iowa 19C/1 and 2; V.S.D. 17A/1; V. Iowa 19B/1; V.S.D. 17B/1 AND 1; V. Iowa 19A/1 through 7, inclusive, V.S.D.17C/1; and on station maps V. Iowa 19C/S-2 (Beloit); V. Iowa 19C/S1 (Elm Springs); V.S.D. 17A/S-1 (Fairview); V.S.D. 17B/S-2 (Hudson); V. Iowa 19A/S6b (Calliope); V. Iowa 19A/S-6a (Hawarden); V. Iowa 19A/S-4 (Chatsworth); V. Iowa 19A/S-3 (Akron); and V. Iowa 19A/S-1 (Westfield). This line is referred to as the "East Wye Switch to Canton Line."

BERESFORD TO HAWARDEN, IOWA

Commencing at a point in the NE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of Section 31, Township 96 North, Range 50 West of the 5th P.M., also known as Milepost H-18.6, and additionally known as Railroad Engineer's Survey Station Number 945+31 and extending in an easterly direction approximately 18.6 miles in and through the counties of Lincoln and Union, South Dakota, and Sioux, Iowa, and terminating at the intersection with the Canton to East Wye switch line in the NW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 2, Township 94 North, Range 48 West of the 5th P.M. in Hawarden, Iowa, also known as Milepost 0.0 and additionally known as Railroad Engineer's Survey Station Number 0.0, containing a gross area of 289.7 acres, more or less, all of which is more particularly described on those certain right-of-way and track maps designated S. Dakota V-7A/1 through 5 inclusive and on Station map S.

Dakota V-7/S-5; S. Dakota V7A/s-3 (Alcester); and Hawarden Station map. This line is referred to as the “Beresford to Hawarden Line.”

3.3 Purchase Price

The proposed Purchase Price for the Sioux Valley Line is \$9,390,298.

This Purchase Price includes Everist’s portion of the costs incurred to re-establish service on the Line after the flooding events of 2019 per the terms of the “State of South Dakota Department of Transportation Funding Agreement”, document number 911178 also known as Schedule K in the IFP(“Funding Agreement”). Everist’s portion of the costs per the Funding Agreement and the remainder of the Purchase Price after applying a down payment will be incorporated into a promissory note with the State.

Payment Terms:

The Purchase Price will be paid by Everist to the DOT according to the following schedule and pursuant to the terms of a promissory note.

Purchase Price	\$9,390,298
Down Payment	\$1,000,000
Promissory Note*	<u>\$8,390,298</u>
Total	\$9,390,298

* Promissory note includes Everist’s obligations per Funding Agreement and balance of purchase price less down payment. Final promissory note amount to be determined after FEMA reimbursement is received and Everist’s portion of costs per Funding Agreement are determined.

The promissory note will provide for annual payments of principal and interest over a period of 10 years, with interest at the rate of 2.5% per annum. Everist will have the right to prepay, in full, at any time, the promissory note. The promissory note will contain usual and customary provisions including, but not limited to, notice of default and a 30-day opportunity to cure in favor of Everist. The term of the promissory note is based on the expected pay off schedule for the outstanding Sioux Valley Regional Railroad Authority (“SVRRA”) notes which are discussed further below in Section 3.8.

The Purchase Price is contingent on State, the DOT, and the South Dakota Rail Trust Fund fulfilling all approved loan and grant commitments (further defined below).

Anticipated Closing Date:

If the Purchase Agreement is signed by Everist and the State, the transaction will be closed on a date mutually agreeable by the parties, but not later than 120 days

after State receives FEMA reimbursement per Funding Agreement and upon Surface Transportation Board (“STB”) approval.

Contingencies:

Everist must be satisfied with the results of its due diligence, as further provided below.

Due Diligence:

If a Purchase Agreement is agreed upon and entered into by Everist and the State, it will provide Everist a period of 120 days (the “Due Diligence Period”) to conduct its due diligence with regard to the purchase of the Line. Consummation of the purchase of the Line will be subject to and contingent upon Everist’s due diligence review of and satisfaction with all matters related to the Line, the operation of the Line, and resolution of FEMA reimbursement as described in the Funding Agreement. During the Due Diligence Period, the State will cooperate with Everist’s due diligence review, and will timely provide all documents and information requested by Everist.

Everist and the State will have the right to terminate the Purchase Agreement if either Party is not satisfied with the results of its due diligence.

3.4 Service Protections

3.4.1. Everist communicates daily with the shippers on the Line to stay abreast of their service needs. Through this regular communication, the current schedule of rail service four times per week is adjusted based on seasonal demands or short-term market conditions as requested by the shippers.

Everist expects to maintain the current schedule based on foreseeable needs. As in the past, this schedule will be adjusted to meet the needs of current and future shippers, market conditions, to accommodate interchange connections, or other situations that may arise.

3.4.2. The Line is maintained to a minimum of Federal Railroad Administration (“FRA”) Class II track standards and will remain so under our Proposal. Everist has identified several capital projects to improve track capacity, reliability, and safety:

- Replace 11.2 miles of legacy jointed rail. Estimated cost: \$7.2mm
- Develop 7,400’ meet/pass siding at MP 41.0 near Fairview, SD. Estimated cost: \$1.1mm
- Rehabilitate or replace five bridges over the Big Sioux River. Estimated cost: \$10mm - \$40mm dependent upon the condition of the bridge and feasibility of rehabilitation versus need for total replacement.

- Resolution of slide area located from MP 21.0 to 21.6 near Hawarden, IA. Estimated cost: unknown at this time.

3.4.3. Everist sees railroad expansion opportunities being driven by three categories: increasing carload volumes from existing shippers, attracting new shippers, and railcar storage. Direct access to I-29 at Beresford makes the Hawarden to Beresford spur an attractive site for shippers looking to reach South Dakota by rail and a likely development opportunity for the Line in future.

Inquiries from shippers looking to locate in the Dell Rapid, SD area have recently increased. While not part of the Line, this area is served by Everist and the open interchange access in Sioux City makes expansion to this area a viable location for serving customers on a regional and national scale.

3.4.4. Everist continually receives requests for information regarding rail service from industries exploring the possibility of locating on the Line. As appropriate, we share this information with local development groups to provide the most comprehensive relocation package available. Our solid relationship with the Class I railroads (CN, Union Pacific, and BNSF) with whom we interchange in Sioux City, IA has garnered multiple inquiries that were passed on to us by those companies.

3.4.5. Everist will continue to operate the railroad from our corporate office located in Sioux Falls, SD. Employee needs and the potential for job creation will be contingent on development of new shippers as outlined in section 3.1.7 and 3.4.3.

Twenty-five people are currently employed to support the rail operations, MOW, and administrative functions of D&I. In addition to the jobs created within our operation, there is a direct correlation to the jobs created downstream from the shippers on the Line and correspondingly, the customers they serve.

3.4.6. Everist's marketing plan to attract new shippers, both regional and national, looking to expand their operations into South Dakota, northwest Iowa, and southwest Minnesota is based on maximizing our efforts in two areas:

- Networking with industry associations, state and local economic development groups, and marketing departments of the shippers we serve; and maintaining a close relationship with the market development teams at BNSF, Union Pacific, and CN.
- Development of rail facilities that are safe, reliable, flexible, and large enough to serve the changing needs of those looking to ship inbound or outbound materials to the area served by the Line.

The proximity to interstate transportation from various locations on the Line, the capability to interchange with three Class I railroads in Sioux City, IA at an Everist owned rail yard, and our ability to extend the service area of the Line via Everist owned track north of Sioux Falls, SD provides a formidable infrastructure core to expand upon in our efforts to attract new shippers. Everist also owns other properties along the Dell Rapids to Sioux City corridor that are rail served and provide excellent locations for development.

3.4.7. Everist anticipates no change in rates for existing shippers as a result of the purchase of the Line. Current rates are a function of rates set by the interchange carrier chosen by the shipper. Everist provides rail service four times per week based on seasonal demands or short-term market conditions as requested by the shippers. We expect to maintain the current schedule based on foreseeable needs. As in the past, this schedule will be adjusted to meet the needs of current and future shippers, market conditions, to accommodate interchange connections, or other situations that may arise.

3.4.8. Everist expects there will be no impact to shippers or other rail users on the Line. We will continue to service the Line as we have for the past forty years. We expect the SVRRA to remain in place and continue to be an advocate for rail service in southeast South Dakota. The stability of Everist and SVRRA individually and as partners working to enhance the Line has been important to existing and new shippers.

3.4.9. Everist expects there to be no impact to the communities along or near the line. As operator for the past forty years, Everist has established cooperative, solid working relationships with all the communities along the Line. We work closely with these communities on opportunities for economic growth and in the area of public safety as it relates to rail. As the sole provider of service and maintenance on the Line for the past 40 years, we expect to continue to work in the same manner as owner of the Line.

3.4.10. Everist has operated as a short line railroad since 1981. Our staff has been involved with the operation and development of the Line since it was set to be abandoned by the Chicago, Milwaukee, St. Paul and Pacific Railroad in 1979. The work done since that time through the efforts of Everist, the State, and the SVRRA has produced a highly functioning, safe, and economically vibrant rail facility. We work with Class I railroads via the interchange in Sioux City, IA and through other operations within Everist on a daily basis. In addition to our own experience, we are a member of several organizations that provide us with the opportunity to continue to learn and grow with the railroad industry.

3.4.11. The economic impact of this Proposal will be most beneficial to the State Rail Trust Fund. Our proposal provides an immediate inflow of \$1,000,000 to the State Rail Trust Fund and will provide over \$1,100,000 in interest payments to the State Rail Trust Fund over the course of the promissory note. At the same time, the State will be relieved from any ongoing capital concerns related to the Line.

On a local level, the shippers on the Line will be able to run their businesses as they have without concern for potential negative developments that can come from working with a new or inexperienced short line railroad operator.

3.4.12. Everist has averaged approximately \$1,250,000 for maintenance activities and supplies expenses on the Line for the past ten years. We anticipate a similar level of maintenance related spending to continue. In addition to these costs, please refer to section 3.4.2 for details on additional capital investment projects identified for the future.

3.5 Trackage Rights, Haulage Rights, and Interchange Rights

Everist understands the importance of the trackage, haulage, and interchange rights established by the “Settlement Agreement between the State of South Dakota and BNSF” (“Settlement Agreement”) in meeting the State’s objectives of economic growth and development throughout South Dakota. Everist is very familiar with the terms of the Settlement Agreement and fully intends to utilize the terms of the Settlement Agreement in the operation of the Line. A non-negotiable condition of sale will be the guarantee that the terms of the Settlement Agreement are conveyed to the purchaser of the Line.

3.6 Current Grant Commitments

There are currently in place a certain grant and grant application with regard to and for the benefit of the Lines. Everist served as the primary driver of these projects and provided valuable assistance in the application and administration of previously awarded grants. Everist will continue in this capacity throughout the repayment of loans made from the South Dakota Rail Trust Fund in conjunction with these grants. Current projects on the Line utilizing grants are as follows:

FRA Rail Relocation & Improvement Grant of \$1,803,801.00 for the relocation of approximately 2,450 feet of track near Hawarden, Iowa, pursuant to which the State Rail Trust Fund has committed to a loan of \$1,199,956.00, all of which funds are yet to be distributed because of a delay in the project.

In conjunction with the Bridge Replacement Loan (contract #715458) for the replacement of 11 bridges located on the Elk Point to Canton rail line, the State Rail Trust Fund committed to a grant in the amount of \$1,950,888.50.

3.7 Future Grant Commitments

The SVRRA will remain after the conveyance of the Line to Everist, such that the SVRRA will continue in existence and its authority will be unchanged, and Everist, as the owner of the Line, will be entitled to all benefits of the SVRRA with regard to the Line, and its operation, maintenance, repair, upkeep, and improvement.

The State, DOT, and State Rail Trust Fund will continue to pursue grant applications in process and continue to fulfill all obligations and commitments with respect to active and approved applications including, but not limited to financial obligations and commitments for the benefit of the Line and Everist from and after the date the Line is conveyed to Everist.

3.8 Loan Commitments

There are currently in place certain loan agreements (the “Loan Agreements”) between SVRRA and the South Dakota Railroad Trust Fund, as follows:

By Resolution No. 2008 B-12, as amended by Resolution 2010 B-4, there was made to SVRRA a loan (contract #713919) in the amount of \$5,396,622.42 for construction of 8,000 feet of siding near Chatsworth and Relay 12.5 miles of rail (the “Siding/Chatsworth Loan”).

By Loan Agreement, dated June 15, 2014, as amended, and in accordance with the promissory note executed in conjunction therewith, there was made to SVRRA a loan (contract #715458) in the amount of \$2,530,905.42 for the replacement of 11 bridges located on the Elk Point to Canton rail line (the “Bridge Replacement Loan”).

There is also a loan between Everist and SVRRA (“Everist Loan”):

In accordance with the promissory note executed October 1, 2016, there was made to SVRRA a loan in the amount of \$1,384,558.44 by Everist for the retirement of debt.

The Siding/Chatsworth Loan, the Bridge Replacement Loan, and the Everist Loan will remain obligations of SVRRA, and payment and performance under Siding/Chatsworth Loan, the Bridge Replacement Loan, and the Everist Loan will be and remain the responsibility of SVRRA until payment, in full, of all three.

3.9 Other Financial Commitments

As presented in Section 3.3 above, Everist proposes to meet the terms of the Funding Agreement by including Everist's portion of the track repair and bridge repair/replacement costs as a component of the Purchase Price.

3.10 Lease and Sub-lease Agreement

There is currently in effect an agreement between the SVRRA and the State, dated March 22, 2004 ("Agreement"), as amended by the "Amendment to Agreement between SVRRA and the State of South Dakota", dated June 26, 2009, and as further amended by "Amendment Number 2 to Agreement between SVRRA and the State of South Dakota", dated May 23, 2014 (collectively the "SVRRA Lease"). In conjunction with the purchase by Everist of the Line, the SVRRA must agree to exercise its option to assign purchase rights of the Line to Everist and the State must approve of said assignment as provided for in Section 12 of the Agreement between SVRRA and the State. Concurrent with the assignment of purchase rights of the Line, the State and SVRRA must agree to the termination of the SVRRA Lease.

3.11 Permits, Licenses, Excess Property Leases, other Land Use Agreements

Everist understands the provisions of 3.11. We would like to review all existing permits, licenses, excess property leases and other land use agreements related to properties adjacent to the Line with the opportunity to include them in our Proposal, as appropriate, to maintain effective operation of the Line.

3.12. Approval of Sale

Everist will retain professional services to assist in securing Surface Transportation Board (STB) approval of the purchase of the Line. We expect no issues in receiving approval.

3.13. Environmental Liabilities

The due diligence period will include a review of environmental conditions on the Line. Results of that review will be reflected in the final terms of the Purchase Agreement. As operator of the Line for the past forty years, Everist is familiar with the condition of the Line and is confident that if any environmental issues exist, a mutually acceptable remedy will be found.

3.14. Conditions of Sale

Everist acknowledges the conditions of sale listed in Section 4 of the IFP. See specific responses below.

4. Conditions of Sale

4.1. and 4.2. Everist is willing to consider certain protections for the future operation of the Line in the event Everist desires to sell the Line or no longer operates its business or the Line. Options for discussion are: (i) a right of first refusal in favor of the State in the event of a proposed sale to a third party – in which instance, the State would be required to match the Purchase Price; and (ii) a right of reversion in favor of the State – in which instance the State would pay to Everist an amount equal to the Purchase Price.

4.3. Everist agrees to the requirement that any assignee or successor abide by the terms of the Purchase Agreement.

4.4. Everist agrees that the sale of the Line is to be considered “AS IS, WHERE IS”, as allowed by law. Everist reserves the right to request resolutions of any issues uncovered during due diligence period.

4.5. Everist agrees to include indemnification provisions in the Purchase Agreement that will indemnify the State and Everist. And to include mutually acceptable provisions that hold the State harmless for any claims related to acts or omissions after the closing of the sale.

4.6. Everist agrees the Purchase Agreement will contain provisions requiring Everist to fully protect any haulage, trackage, and interchange rights that apply to the Line as a result of the Settlement Agreement with BNSF, and to fully comply with any other obligations that apply to Everist pursuant to the Settlement Agreement. Everist will request the Purchase Agreement include provisions providing for support from the State regarding the terms of the Settlement Agreement after the closing date.

4.7. Everist agrees the State will retain mineral rights as required by South Dakota law.

4.8. Everist agrees the purchase will be subject to the right of highway authorities to maintain, construct, re-construct, sign, mark, and repair all existing public highway crossings.

4.9. Everist acknowledges the DOT will reserve a right to crossings that have not yet been constructed but are identified in the DOT's current Statewide Transportation Improvement Plan ("Improvement Plan"). Everist requests ample access to the Improvement Plan and the opportunity for comment on items in the Improvement Plan that directly impact the Line.

4.10. Everist agrees the Line will be conveyed by quit claim deed. The due diligence period will include a review of title conditions on the Line. Everist agrees to seek mutually acceptable remedies to any title defects discovered during title review.

Exhibit 1 D & I RAILROAD SYSTEM MAP

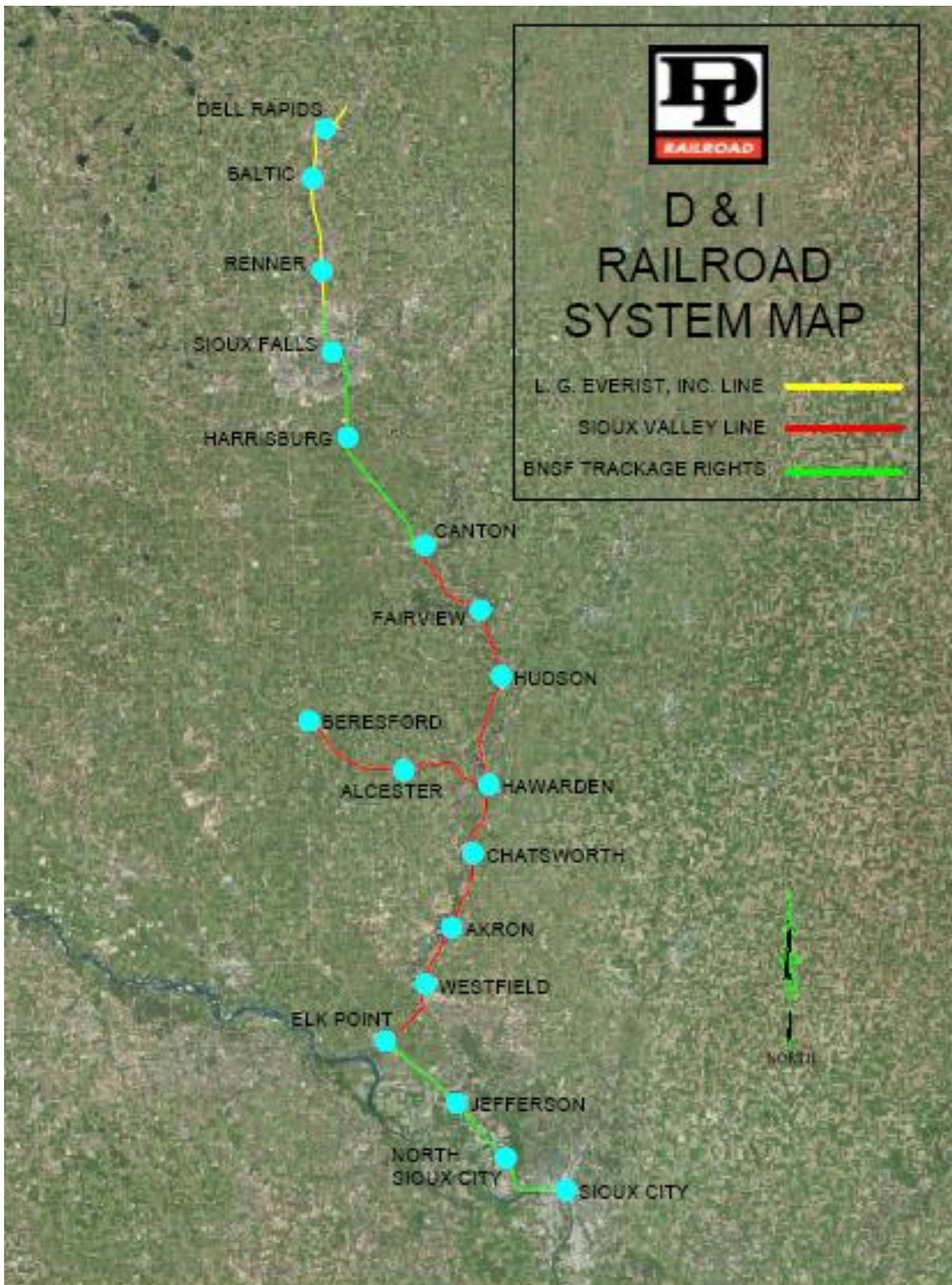


Exhibit 2
D & I RAILROAD - SIOUX CITY INTERCHANGE



Exhibit 3

LETTERS OF SUPPORT

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Exhibit 3(a)

Sioux Valley Regional Railroad Authority

350 S Main Ave, Suite 400
Sioux Falls SD 57104

November 15, 2019

Governor Kristi Noem
Office of the Governor
500 E Capitol Ave
Pierre, SD 57501

Mr. Darin Bergquist, Secretary of the Department of Transportation

South Dakota State Railroad Board and Railroad Authority members

Mr. Jerry Cope, Chair	Mr. Jon Kirby, at large
Mr. Jeffrey Burket, Vice-Chair	Mr. Jack Nelson, Marketing
Mr. Gregory Carmon, Operation of Rail Service	Mr. Gary Doering, Finance
Mr. Steve Scharnweber, Business Management	

c/o South Dakota Department of Transportation
700 E. Broadway Avenue
Pierre, SD 57501

Re: Support letter for L.G. Everist, Inc./D&I Railroad Company purchase of the Sioux Valley Rail Line

Dear Governor Noem, Secretary Bergquist and members of the South Dakota Rail Board:

The Sioux Valley Regional Rail Authority was formed in the late 1970's to preserve rail service on the Sioux Valley Line. At that time, there was very limited traffic; much of which was rock and ballast traffic from L.G. Everist, Inc.'s (parent company of D&I Railroad) operations in Dell Rapids, SD and Hawarden, IA.

Since the time of the original purchase, rail-car traffic on this line has grown significantly with annual carload traffic growing from several hundred carloads annually to between 16,000 and 20,000 carloads annually in recent years. This is a direct result of having competitive, reliable transportation access to important end markets. Not only have original shippers expanded, new shippers have been attracted to this area. Examples of this include the Poet Ethanol plant

Exhibit 3(a) cont.

near Hudson, SD in 2004, the GCC cement terminal in 2003, and the ethanol transload facility also near Hudson, SD in 2008.

This increase in carloads would not have been possible without the significant investment made in the line by the SVRRA and L.G. Everist/D&I Railroad. Since the early 1990's, the shippers and the Everist companies have invested millions of dollars in the line to improve its capacity, safety, and value to the region. We are concerned about the consequences to the local area if the line is sold to another party, especially after the level of investment by the state and our local shippers and the surcharges they have paid over the years to ship on the line. Such action would appear contrary to the original intent of everyone involved.

The Sioux Valley Regional Rail Authority is comprised of community and business representatives with a vested interest in the future of the region served by the Sioux Valley Line, which is the lifeblood of this area due to the long history of partnerships and investments. During our tenure, D&I Railroad has operated this line. D&I Railroad has been an exemplary partner in the operating of the Sioux Valley Line, providing excellent and reliable service and competitive and transparent pricing. They have been an unfailing partner in supporting the administration of the Sioux Valley Regional Rail Authority.

Thank you for taking the time to consider our thoughts on this matter. Without hesitation, and with all due respect, we recommend the State select D&I Railroad and its parent company, L.G. Everist, Inc. as the purchaser of the Sioux Valley Line.

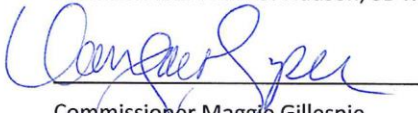
Respectfully,

Sioux Valley Regional Railroad Authority



Commissioner Russ Hazel

President and Town of Hudson, SD Rep.



Commissioner Maggie Gillespie

Sec./Treasurer and City of Alcester, SD Rep.



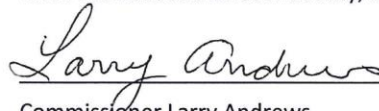
Commissioner Rich Van Noort

Town of Fairview, SD Rep.



Commissioner Dave Gillespie

Vice President and Lincoln County, SD Rep.



Commissioner Larry Andrews

Union County, SD Rep.



Commissioner Larry O'Connor

City of Beresford, SD Rep.

Exhibit 3(b)



P / 605 934 2222 29819 SPUR AVE., PO BOX 439 HUDSON SD 57034 POET.COM/HUDSON

November 15, 2019

Governor Kristi Noem
Office of the Governor
500 E Capitol Ave
Pierre, SD 57501

Mr. Darin Bergquist, Secretary of the Department of Transportation

South Dakota State Railroad Board and Railroad Authority members
Jerry Cope, Chair
Jeffrey Burket, Vice-Chair
Gregory Carmon, Operation of Rail Service
Gary Doering, Finance
Jon Kirby, at large
Jack Nelson, Marketing
Steve Scharnweber, Business Mgmt.

c/o South Dakota Department of Transportation
700 E. Broadway Avenue
Pierre, SD 57501

Re: Support letter for D&I Railroad to purchase the Sioux Valley Rail Line

Dear Governor Noem, Secretary Bergquist and members of the South Dakota Rail Board:

The POET Biorefining plant was constructed and located near Hudson, South Dakota in 2004. The Hudson location was selected because of the importance of having multiple railroad destinations for our refined products (ethanol and distillers dried grain) through the D&I Railroad's interchange ability with multiple other railroads in or near Sioux City, South Dakota. In fact, one of the real strengths of our Hudson facility is its ability to withstand tough times in the ethanol industry better than others because of these multiple destinations.

Over the 15 years, we have grown to greatly appreciate the reliability, service and flexibility of the D&I Railroad, which has provided railroad service to our location since our inception. Not only are the folks at D&I Railroad our business partners and vendors, but they are also our neighbors here in South Dakota.

We, along with other shippers on this line, have been able to survive and grow in part because of the advantages the D&I Railroad brings to our location.

We at POET strongly encourage you to select D&I Railroad as the buyer for the Sioux Valley Rail Line.

Poet Biorefining - Hudson


Jeremy Halgerson, General Manager

Exhibit 3(c)



November 15, 2019

Governor Kristi Noem
Office of the Governor
500 E Capitol Ave
Pierre, SD 57501

Mr. Darin Bergquist, Secretary of the Department of Transportation

South Dakota State Railroad Board and Railroad Authority members
Jerry Cope, Chair
Jeffrey Burket, Vice-Chair
Gregory Carmon, Operation of Rail Service
Gary Doering, Finance
Jon Kirby, at large
Jack Nelson, Marketing
Steve Scharnweber, Business Management

c/o South Dakota Department of Transportation
700 E. Broadway Avenue
Pierre, SD 57501

Re: Support letter for D&I Railroad to purchase the Sioux Valley Rail Line

Dear Governor Noem, Secretary Bergquist and members of the South Dakota Rail Board:

The Siouxland Energy Cooperative ethanol terminal was constructed and located near Hudson, South Dakota in 2008. The Hudson location was selected because of the importance of having multiple railroad destinations for our refined products (ethanol and corn oil) through the D&I Railroad's interchange ability with multiple railroads in or near Sioux City, South Dakota. In fact, one of the real strengths of our Hudson located facility is its ability to withstand tough times in the ethanol industry better than others because of these multiple destinations.

Over the past 11 years, we have grown to greatly appreciate the reliability, service and flexibility of the D&I Railroad, which has provided railroad service to our location since our inception. Not only are the folks at D&I Railroad our business partners and vendors, but they are also our neighbors here in South Dakota.

We, along with other shippers on this line, have been able to survive and grow in part because of the advantages the D&I Railroad brings to our location.

We strongly encourage you to select D&I Railroad as the buyer for the Sioux Valley Rail Line.

Siouxland Energy Cooperative

A handwritten signature in black ink, appearing to read "Tom Miller".

Tom Miller
Commodity Manager

3890 Garfield Ave • Sioux Center, IA 51250 • Phone 712-722-4904 • www.siouxlandenergy.com

Exhibit 3(d)



November 19, 2019

Governor Kristi Noem
Office of the Governor
500 E Capitol Ave
Pierre, SD 57501

Mr. Darin Bergquist, Secretary of the Department of Transportation

South Dakota State Railroad Board and Railroad Authority members

Jerry Cope, Chair

Jeffrey Burket, Vice-Chair

Gregory Carmon, Operation of Rail Service

Gary Doering, Finance

Jon Kirby, at large

Jack Nelson, Marketing

Steve Scharnweber, Business Management

c/o South Dakota Department of Transportation
700 E. Broadway Avenue
Pierre, SD 57501

Re: Support letter for D&I Railroad to purchase the Sioux Valley Rail Line

Dear Governor Noem, Secretary Bergquist and members of the South Dakota Rail Board:

South Dakota frequently has some of the largest discounts, or negative basis, on its cash-grain crops (corn, soybeans). This is due to our distance from many destinations and our limited transportation alternatives to get these products to market.

One bright spot where grain prices are often better in our state is southeastern South Dakota, near the region served by the Sioux Valley Rail Line and the D&I Railroad. One reason for these better prices is the D&I's ability to interchange with multiple other railroads in Sioux City. This open access is critical to better prices for producers here in South Dakota.

Critical to this open access is D&I's interchange rail yard in Sioux City. Any new owner of the Sioux Valley Rail Line would find locating a new rail yard in Sioux City challenging because of a lack of available space. In addition, the D&I Railroad has a long history of successfully operating this line, serving agricultural and other shippers for decades. Their service, reliability, flexibility and affordability are a big advantage for their shippers.

We encourage you to look favorably at D&I as the purchaser of the Sioux Valley Rail Line.

A handwritten signature in cursive script that reads "Doug Noem".

Doug Noem
President
South Dakota Corn Growers Association

A G R O W I N G I N F L U E N C E