

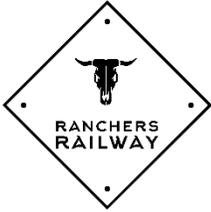
STATE OWNED RAIL LINE PROPOSAL



Ranchers Railway, LLC

17049 Indian Creek Rd
Scenic, SD 57780

(605)-390-5584
ebloom@blackhillslaw.com
hlbloom09@gmail.com



RANCHERS RAILWAY LLC PROPOSAL FOR STATE OWNED RAIL LINES

NOVEMBER 21, 2019

OVERVIEW

Ranchers Railway LLC is pleased to submit this proposal to the South Dakota Department of Transportation Railroad Board in achieving its goal to sell the State-owned rail lines. We are an organization comprised of over 40 landowners and lessees who all have an interest in the land abutting the rail bank from Kadoka to Caputa. Ranchers Railway's mission is to acquire the Kadoka to Caputa segment (within the "MRC" line) and deed the property back to the individual landowners. In effect, this transfer will allow the property to be put back on the tax roll and to produce additional tax revenue for the State.

The Objective

- Support increased property tax revenue for the State of South Dakota.
- Return state-owned assets to private ownership.
- Prevent third party organizations from acquiring the rail line for extracurricular activities, including a "rails to trails" project.
- Promote and support local producers and agriculture with increased livestock grazing.

Proposer Information

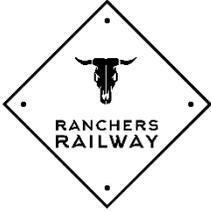
1. Company ID: 7576
Bidder ID: MBloom7576

Lead Contact: Merlin "Frank" Bloom
605-390-9200 (c) 605-993-3100 (h)
thebloomranch@gmail.com

Additional Contacts: Hollie Smith
605-390-9207 (c)
Hlbloom09@gmail.com

Elliot Bloom
605-390-5584 (c)
ebloom@blackhillslaw.com

2. Proposer has not been subject to any bankruptcies or operational issues.
3. Proposer has not been fined or assessed a civil penalty by federal, state, or municipal agencies.
4. Ranchers Railway LLC is a manager-managed limited liability company organized under the laws of the state of South Dakota. Each member of the LLC is comprised of landowners that have an interest in or own abutting land to the line from Kadoka to Caputa. Each member of the LLC has personally assessed their associated railway line to determine its value and has committed to purchasing the same.
5. Company goal: To acquire the line from Kadoka to Caputa. Any and all property purchased from the State will go back to the landowners or lessees abutting the line. Ranchers Railway LLC intends to sell or lease any remaining land that it does not deed back to the individual members.



RANCHERS RAILWAY LLC PROPOSAL FOR STATE OWNED RAIL LINES

6. The biggest challenge facing Ranchers Railway will be determining whether an easement or a fee simple deed is transferred. Furthermore, many of the members own government cattle allotments situated on one or both sides of the line. These sections through government property will need to be addressed by the Board. We anticipate that the Board and State of South Dakota will cooperate with Ranchers Railway LLC to determine the State's ownership of the line. Ranchers Railway LLC will expect the State to provide a survey of the proposed segment and proper ownership documentation.

OUR PROPOSAL

Line to be Purchased

Ranchers Railway, LLC proposes to purchase the segment of the "MRC" line from Kadoka, SD to Caputa, SD.

Purchase Price

Line	Price
"MRC" line segment from Kadoka, SD to Caputa, SD	\$405,000.00

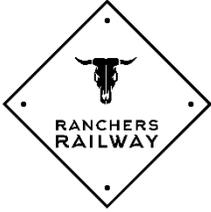
Ranchers Railway, LLC is proposing to purchase the Kadoka, SD to Caputa, SD segment for \$405,000.00 to be paid in a lump sum payment. Ranchers Railway, LLC does not have an anticipated closing date as it is subject to the State's proposal and negotiation process—as well as the determination of the State's ownership of the segment of the line.

Service Protections

Rancher's Railway, LLC is proposing to purchase a railbanked segment of the line. The segment will then be deeded back to the abutting landowners. These landowners do not desire to have the line improved or rebuilt to an active rail line. Any line that runs through two or more landowners will be fenced out accordingly to their respective ownership. Because this segment of the line is inactive and only railbanked, majority of the rail service protections outlined in the IFP section 3.4 are inapplicable.

Capital Contribution Agreement

Each member and landowner of Ranchers Railway, LLC has entered into a capital contribution agreement to invest funds to purchase their respective section of rail line from the LLC. The contributions collected through the individual agreements is the sole funding mechanism for this proposal. A copy of said Capital Contribution Agreement is attached hereto as **Attachment A**.



RANCHERS RAILWAY LLC PROPOSAL FOR STATE OWNED RAIL LINES

CONCLUSION

We look forward to meeting the objectives of the State of South Dakota through completing this sale. We are confident that we can meet the challenges presented and are prepared to enter into negotiations with the Department and Board.

If you have questions on this proposal, feel free to contact Elliot Bloom or Hollie Smith at your convenience by email at ebloom@blackhillslaw.com or hlbloom09@gmail.com or by phone at 605-390-5584/605-390-9207. Several of our representatives and legal counsel will be present at the December 4th and December 18th board meetings to represent Ranchers Railway, LLC interests.

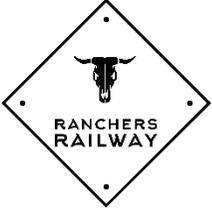
Thank you for your consideration,



Hollie Smith, Esq.
Counsel for Ranchers Railway, LLC



Merlin "Frank" Bloom
Organizer/Member Ranchers Railway, LLC



**RANCHERS RAILWAY LLC PROPOSAL FOR STATE
OWNED RAIL LINES**

Attachment A

Capital Contribution Agreement

This Capital Contribution Agreement (“Agreement”) is entered into by and between Ranchers Railway LLC, a South Dakota limited liability company (“R.R.”), and _____ (“Landowner”), whose address is _____.

Recitals:

- I. R.R. was formed for the purpose of bidding, negotiating, and acquiring approximately 85 miles of railroad line from Caputa, South Dakota, to Kadoka, South Dakota, on behalf of abutting property owners to the railroad line (the “Acquisition”).
- II. R.R. was organized by Frank Bloom of Scenic, South Dakota, for purposes of the Acquisition.
- III. It is anticipated that prior to closing of the Acquisition, abutting property owners will be added as members of R.R. after their capital contribution, which is established herein, and an operating agreement will be entered into between the members of R.R.;
- IV. Under said future operating agreement, the members of R.R. will elect a manager to conduct business on behalf of R.R., and R.R. will be reorganized from a member-managed limited liability company to a manager-managed limited liability company organized under the laws of the state of South Dakota;
- V. The terms of this Agreement will be considered and incorporated into said future operating agreement.
- VI. R.R. has been conducting due diligence with respect to the Acquisition, and consequently has determined that an amount for the Acquisition is currently needed.
- VII. With the aforementioned due diligence, R.R. has also determined that a number of potential members of R.R. is currently needed in anticipation of the Acquisition.
- VIII. This Agreement is made for purposes of determining the Landowner’s anticipated capital contribution and binding said Landowner to deposit the anticipated capital contribution with R.R. at a later date that R.R. deems advisable for the Acquisition.
- IX. The parties desire to formally set forth in writing the terms of each Landowner’s, and future R.R. member’s, anticipated capital contribution hereunder to facilitate the Acquisition.

Now, therefore, the parties agree as follows:

1. Landowner certifies that Landowner owns property abutting _____ miles of railroad line.

2. Undersigned Landowner certifies to a reasonable degree of certainty that they have disclosed the acreage or miles of railroad line that abut Landowner's property to the best of Landowner's knowledge.

3. Landowner certifies that the aforementioned acreage or miles of railroad line abutting Landowner's property was used to calculate the Landowner's anticipated capital contribution herein.

4. If R.R. successfully completes the Acquisition, Landowner agrees to contribute additional capital with R.R. in the event the Landowner has underestimated the acreage or miles of railroad line associated with Landowner's abutting property.

5. Any additional capital contributed to R.R. from Landowner after the completion of the Acquisition will be distributed pro rata between other Landowners, or members, of R.R.

6. Landowner agrees to pay \$_____ to R.R. as a capital contribution for R.R. to purchase Landowner's abutting portion of railroad line.

7. In the event that Landowner fails to contribute Landowner's aforementioned capital contribution or meet Landowner's obligations under this Agreement, Landowner will be considered to be in default, and R.R. may elect any such remedy under the law to prosecute such default.

8. In the event R.R. does not successfully complete the Acquisition, Landowner agrees to allow R.R. to submit proposals to third party bid winners to purchase railroad line abutting Landowner's property.

9. In the event R.R. does not successfully complete the Acquisition, and after any attempts to purchase railroad line from third party bid winners, R.R. agrees to reimburse Landowner the aforementioned capital contribution, minus applicable fees associated with the Acquisition.

10. In the event R.R. does successfully complete the Acquisition, R.R. will deed and transfer property consisting of the railroad line abutting Landowner's property via quitclaim deed within a reasonable time to effectuate such transaction.

11. In the event R.R. does successfully complete the Acquisition, Landowner agrees that Landowner will be responsible for completing any necessary survey on railroad line abutting Landowner's property and any costs or fees associated with same

12. In the event R.R. does successfully complete the Acquisition, Landowner agrees that time is of the essence to complete any necessary survey on railroad line abutting Landowner's property.

13. In the event R.R. does successfully complete the Acquisition, Landowner agrees that R.R. may hold back or require from Landowner, any additional funds needed for applicable property taxes associated with railroad line abutting Landowner's property.

14. In the event R.R. does successfully complete the Acquisition, Landowner shall be responsible for any costs and fees associated with any deed preparation in transferring the railroad line abutting Landowner's property from R.R. to Landowner.

15. In the event R.R. does successfully complete the Acquisition, any third-party landowner that is not a member of R.R. and that wishes to purchase third-party landowner's section of abutting railroad line from R.R., Landowner gives R.R. authority to sell corresponding section of railroad line to third-party landowner. Income received by R.R. from any third-party landowner purchases will be divided pro rata between Landowner members of R.R., minus any applicable fees and costs associated with any third-party landowner sale.

16. **Indemnification.** Landowner agrees to indemnify and hold harmless R.R. for any and all claims, liabilities, damages, taxes, fines, repayment obligations, or expenses, including court costs and reasonable attorney fees (collectively "Claims"), which R.R. may incur, or which may be asserted against R.R., by reason of, or relating to, this Agreement or the Acquisition.

17. **Notices.** Any notices or other communications required or permitted by this Agreement or by law shall be in writing and shall be deemed to be served when given in person or when sent by certified mail addressed to Landowner or at the address on record associated with R.R. or to R.R.'s registered agent.

18. **Entire Agreement.** This Agreement contains the entire understanding of the parties with respect to R.R.'s involvement in the Acquisition and Landowner's, and future member of R.R., current assurances and future obligations to R.R. and supersedes all prior agreements and understanding between the parties with respect to such transaction.

19. **Time.** Time is of the essence for all the provisions of this Agreement.

20. **Severability.** Each provision of this Agreement is intended to be severable. If any provision is invalid for any reason, such invalidity shall not affect the validity of the remainder of the Agreement.

21. **Amendment, Modification, or Waiver.** No amendment, modification, or waiver of any condition, provision, or term shall be valid or of any effect unless made in writing, signed by the party or parties to be bound or a duly authorized representative, and specifying with particularity the extent and nature of such amendment, modification, or waiver. Any waiver by any party of any default shall not affect or impair any right arising from any subsequent default. Except as expressly and specifically stated otherwise, nothing herein shall limit the remedies of the parties pursuant to this Agreement.

22. **Binding Effect.** This Agreement shall be binding on and inure to the benefit of the parties and their respective representatives, assigns, and successors.

23. **Attorney Fees.** If either party commences an action against the other to enforce this Agreement, or because of the alleged breach by either party of this Agreement, the prevailing party in the action shall be entitled to recover reasonable attorneys' fees and costs incurred in connection with the prosecution or defense of the action, including any appeal of the action, in addition to all other relief allowed by law.

24. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of South Dakota.

Dated to be effective this _____ day of November, 2019.

LANDOWNER:

RANCHERS RAILWAY, LLC:

Signature

Frank Bloom, Organizer & Current Sole
Member of Ranchers Railway, LLC

Name

Address

Telephone Number

Email