

SUMMARY OF FINANCIAL VALUES AND SCORING

Sooner Sub Final and Binding Offers

April 30, 2014

Score Summary	BNSF	SLWC	BNSF	SLWC
	Scoring		Financial Values (\$m)	
Offer Price	13.33	40.00	25.00	75.00
Additional Capital Improvements in Next 10 Years	5.77	20.00	30.00	104.00
Selection Committee's Policy Objectives	16.00	19.00	N/A	N/A
Projected Economic Activity	13.28	20.00	66.40%	100.00%
Business Plan and Projected Economic Activity Sub Total*	35.05	59.00	55.00	179.00
Total Score	48.38	99.00		

*Total for Financial Values only includes Offer Price and Additional Capital Improvements

Sooner Sub Scoring - BNSF

Section	Score	Max Score	Scoring Guidance	Scoring Notes	Request for Final and Binding Offer (RFBO) Requirements																				
Quantitative Scoring																									
Offer Price	13.33	40.00	Proposer's Offer Price / Maximum Offer Price (only cash paid at closing is considered the Offer Price, RFBO 2.5, 1(b))	Score was calculated as follows: \$25m Offer Price divided by maximum offer price of \$75m multiplied by the Maximum Score. As permitted in the RFBO (Section 2.4) the Proposer intends to make a cash deposit of \$2m for the breakage fee and deposit, which will be applied to the purchase price at closing.	Section 2.5, Part 1 a. Each Proposer's Offer Price will be scored as a percentage of the highest Offer Price. b. Offer Price is defined as total cash to be paid to the Department at Financial Close (date Sale Agreement is signed), and will not include any payments that are contingent on actions by the State or the Department. c. The Final Offer Price may not be less than the Non-Blinding Offer submitted by the Proposer.																				
Additional Capital Improvements in Next 10 Years	5.77	20.00	Proposer's Additional Capital Improvements (\$) / Maximum Additional Capital Improvements (\$) (RFBO Section 2.5, 2(a)(i) and (ii)).	Proposer committed a total of \$45 million for capital improvements including \$15 million for FRA Class 3 upgrades. The \$15 million of Class 3 upgrades was not considered an Additional Capital Improvement because these improvements were minimums required in the Sale Agreement. Therefore total Additional Capital Improvements are \$104 million. Proposer committed to making proposed Additional Capital Improvements within 10 years. Score calculated as follows: Additional Capital Improvements (\$30m) divided by the Maximum Additional Capital Improvements (\$104m) multiplied by Maximum Score.	Section 2.5, Part 2 (a) i. Capital improvements to be offered by the Proposer in addition to those obligations contained in the Sale Agreement, such as: a. Planned expansions to the Sooner Sub b. Upgrades to the Sooner Sub c. Capital to operate passenger rail in excess of the minimums required in the Sale Agreement ii. Only capital investments in addition to those prescribed in the Sale Agreement, that are determined by the Selection Committee to be related to the Sooner Sub and that can be completed within 10 years after execution of the Sale Agreement will be scored. iii. The Selection Committee will review the reasonableness of the Additional Capital Improvements to ensure the projections are not excessive and may request additional supporting information from the Proposer if the reasonableness is questioned iv. The purpose of this requirement is to allow each Proposer to receive credit for adding value to the asset in addition to the obligations contained in the Sale Agreement. In order for the Additional Capital Improvements to be scored, the Proposer must commit to complete the stated capital investments within a specified timeline and will be subject to penalties if the specified timeline is not met.																				
Projected Economic Activity	13.28	20.00	The Department of Commerce calculated the relative difference between the two bids for the following economic components: a. GDP Impact b. Employment Impact (ie # of jobs); and c. Disposable Income Impact The average of the differences will be multiplied by the Max Score to determine the Proposer's Total Projected Economic Activity score.	<table border="1"> <thead> <tr> <th>Values (\$m)</th> <th>BNSF</th> <th>SLWC</th> <th>% Difference BNSF to SLWC</th> </tr> </thead> <tbody> <tr> <td>GDP Impact (avg. value 2015-2024)</td> <td>\$13.10</td> <td>\$17.20</td> <td>76.30%</td> </tr> <tr> <td>Employment Impact (avg. value)</td> <td>127.4</td> <td>218.1</td> <td>58.40%</td> </tr> <tr> <td>Disposable Income Impact</td> <td>\$7.60</td> <td>\$11.70</td> <td>64.50%</td> </tr> <tr> <td>Total Economic Activity Impact</td> <td></td> <td></td> <td>66.40%</td> </tr> </tbody> </table> <p>Based on Dept of Commerce's calculation of an average difference of 66.4% in economic impact between the two proposals, Proposer was assigned 66.4% of the Maximum Score.</p>	Values (\$m)	BNSF	SLWC	% Difference BNSF to SLWC	GDP Impact (avg. value 2015-2024)	\$13.10	\$17.20	76.30%	Employment Impact (avg. value)	127.4	218.1	58.40%	Disposable Income Impact	\$7.60	\$11.70	64.50%	Total Economic Activity Impact			66.40%	Section 2.5, Part 2 (c) i. The economic activity expected to be generated by the Preferred Proposer's proposed business plan, including passenger rail plans.
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Qualitative Scoring																									
Selection Committee's Policy Objectives	16.00	20.00	To be scored on the basis of the perceived strength of commitments, whether the proposer meets the State's policy objectives, and proposed remedies for non-compliance of the policy objectives. Each objective was equally weighted at 4 points of the 20 points.	<p>a. Access to other railroads: Score 3 Proposer agrees to provide access to other rail carriers in "substantially the same manner" as they currently have access.</p> <p>b. Current customer service: Score 2 Proposer agrees to serve existing customers in "substantially the same frequency" as they are currently served however with several caveats around changes in traffic levels and other factors and in accordance with "BNSF's common carrier obligations". Proposes to establish an Advisory Council to facilitate communications with shippers. Proposes a dispute resolution process with ODOT during the first 10 years if a customer believes there has been an adverse change in service.</p> <p>c. FRA Upgrades by year 7: Score 4 Proposer commits to making Class 3 upgrade more quickly than required under the Sale Agreement.</p> <p>d. Passenger rail trial service: Score 3 Proposer agrees to run a trial service as required under the Sale Agreement or pay the penalty and if paid, will have no further obligation to provide trial service. Can provide passenger rail from downtown Oklahoma City to downtown Tulsa due to ownership off/access to other rail lines. Indicated that passenger rail service would only be implemented if following BNSF's Passenger Principles and at no cost to BNSF.</p> <p>e. Reversion of Sooner Sub to the State: Score 4 Proposer agrees that the line could be repurchased by the state within the first 21 years and in accordance with STB provisions</p>	Section 2.5, Part 2 (b) i. Proposers shall provide language as to how they will meet the objectives of the Selection Committee as defined below: a. Assurances that the line will be accessible to other rail companies. b. Assurances that current customers will continue to be served in substantially the same way as they are served currently. c. Assurances the line will be upgraded to FRA Class 3 (40mph) status by the seventh year after the line is sold d. Passenger rail operations must be a part of Proposer's Final and Binding Offer and must be operational by the 5th year after the sale is complete, including a 6 month trial of service once per day, five days per week. This trial will assist the Proposer in deciding whether to operate passenger rail service past year 10. If the Proposer decides to not operate passenger rail service past year 10, the Department may, as set forth in the Sale Agreement, take back a passenger rail easement. e. Right of State to re-acquire in instances of financial distress or proposed abandonment or discontinuance.																				
Business Plan and Projected Economic Activity Sub Total	35.05	60.00	N/A	N/A	N/A																				
Total Score	48.38	100.00	N/A	N/A	N/A																				

Sooner Sub Scoring - SLWC

Section	Score	Max Score	Scoring Guidance	Scoring Notes	Request for Final and Binding Offer (RFBO) Requirements
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Quantitative Scoring

Offer Price	40.00	40.00	Proposer's Offer Price / Maximum Offer Price (only cash paid at closing is considered the Offer Price, RFBO 2.5, 1(b))	Score was calculated as follows: Offer Price (\$75 m) divided by Maximum Offer Price (\$75m) multiplied by the Maximum Score.	Section 2.5, Part 1 a. Each Proposer's Offer Price will be scored as a percentage of the highest Offer Price. b. Offer Price is defined as total cash to be paid to the Department at Financial Close (date Sale Agreement is signed), and will not include any payments that are contingent on actions by the State or the Department. c. The Final Offer Price may not be less than the Non-Binding Offer submitted by the Proposer.																				
Additional Capital Improvements in Next 10 Years	20.00	20.00	Proposer's Additional Capital Improvements (\$) / Maximum Additional Capital Improvements (\$) (RFBO Section 2.5, 2(a)(i) and (ii)).	Proposer committed to invest \$101.8m of line extension to Cushing and associated terminals and facilities. Proposer committed to provide passenger rail service in excess of the minimum required under the Sale Agreement, i.e. service twice per day, seven days a week (minimum requirements once per day, five days a week). The additional capital committed to supplement the cost of providing the pilot project service is \$2.2m. Proposer also proposed to invest funds for activities that the Selection Committee determined to be unrelated to the purchase of the Sooner Sub or were routine operating and maintenance costs and therefore did not constitute capital improvements. Therefore total Additional Capital Improvements are \$104 million. Proposer committed to making proposed Additional Capital Improvements within 10 years. Score calculated as follows: Additional Capital Improvements (\$104 m) divided by the Maximum Additional Capital Improvements (\$104m) multiplied by the Maximum Score.	Section 2.5, Part 2 (a) i. Capital improvements to be offered by the Proposer in addition to those obligations contained in the Sale Agreement, such as: a. Planned expansions to the Sooner Sub b. Upgrades to the Sooner Sub c. Capital to operate passenger rail in excess of the minimums required in the Sale Agreement ii. Only capital investments in addition to those prescribed in the Sale Agreement, that are determined by the Selection Committee to be related to the Sooner Sub and that can be completed within 10 years after execution of the Sale Agreement will be scored. iii. The Selection Committee will review the reasonableness of the Additional Capital Improvements to ensure the projections are not excessive and may request additional supporting information from the Proposer if the reasonableness is questioned iv. The purpose of this requirement is to allow each Proposer to receive credit for adding value to the asset in addition to the obligations contained in the Sale Agreement. In order for the Additional Capital Improvements to be scored, the Proposer must commit to complete the stated capital investments within a specified timeline and will be subject to penalties if the specified timeline is not met.																				
Projected Economic Activity	20.00	20.00	The Department of Commerce calculated the relative difference between the two bids for the following economic components: a. GDP Impact b. Employment Impact (ie # of jobs); and c. Disposable Income Impact The average of the differences will be multiplied by the Max Score to determine the Proposer's Total Projected Economic Activity score.	<table border="1" data-bbox="724 738 1186 860"> <thead> <tr> <th>Values (\$m)</th> <th>BNSF</th> <th>SLWC</th> <th>% Difference BNSF to SLWC</th> </tr> </thead> <tbody> <tr> <td>GDP Impact (avg. value 2015-2024)</td> <td>\$13.10</td> <td>\$17.20</td> <td>76.30%</td> </tr> <tr> <td>Employment Impact (avg. value)</td> <td>127.4</td> <td>218.1</td> <td>58.40%</td> </tr> <tr> <td>Disposable Income Impact</td> <td>\$7.60</td> <td>\$11.70</td> <td>64.50%</td> </tr> <tr> <td>Total Economic Activity Impact</td> <td></td> <td></td> <td>66.40%</td> </tr> </tbody> </table> <p>As calculated by Dept of Commerce, the Proposer's bid produced the highest amounts for GDP Impact, Employment Impact and Disposable Income Impact therefore received the Maximum Score.</p>	Values (\$m)	BNSF	SLWC	% Difference BNSF to SLWC	GDP Impact (avg. value 2015-2024)	\$13.10	\$17.20	76.30%	Employment Impact (avg. value)	127.4	218.1	58.40%	Disposable Income Impact	\$7.60	\$11.70	64.50%	Total Economic Activity Impact			66.40%	Section 2.5, Part 2 (c) i. The economic activity expected to be generated by the Preferred Proposer's proposed business plan, including passenger rail plans.
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Qualitative Scoring

Selection Committee's Policy Objectives	19.00	20.00	To be scored on the basis of the perceived strength of commitments, whether the proposer meets the State's policy objectives, and proposed remedies for non-compliance of the policy objectives. Each objective was equally weighted at 4 points of the 20 points.	<p>a. Access to other railroads: Score 4</p> <ul style="list-style-type: none"> - Proposer commits to operate the Sooner Sub the same way and provide access to all connecting Class 1 carriers and short line carriers and to serve existing customers "regardless of change in traffic volumes, commodities, location, or facility designs". <p>b. Current customer service: Score 4</p> <ul style="list-style-type: none"> - Proposer suggests a mutually agreed upon audit system to determine whether SLWC has provided quality customer service. - If it is determined SLWC has not provided quality service, SLWC will sell the railroad back to the state at market value. <p>c. FRA Upgrades by year 7: Score 3</p> <ul style="list-style-type: none"> - Proposer commits to upgrade the line within the 7 year timeframe required under the Sale Agreement. <p>d. Passenger rail trial service: Score 4</p> <ul style="list-style-type: none"> - Using Iowa Pacific, Proposer commits to provide the trial service required under the Sale Agreement and has already tested three times with Iowa Pacific. - Proposer will provide passenger rail service between Del City and Salpuga with transfer service into downtown Tulsa and Oklahoma City. - Proposer will work with other rail operators to gain access to downtown Oklahoma City and Tulsa. <p>e. Reversion of Sooner Sub to the State: Score 4</p> <ul style="list-style-type: none"> - Proposer agrees to reversion of the Sooner Sub to the State for net liquidation value if 	Section 2.5, Part 2 (b) i. Proposers shall provide language as to how they will meet the objectives of the Selection Committee as defined below: a. Assurances that the line will be accessible to other rail companies. b. Assurances that current customers will continue to be served in substantially the same way as they are served currently. c. Assurances the line will be upgraded to FRA Class 3 (40mph) status by the seventh year after the line is sold d. Passenger rail operations must be a part of Proposer's Final and Binding Offer and must be operational by the 5th year after the sale is complete, including a 6 month trial of service once per day, five days per week. This trial will assist the Proposer in deciding whether to operate passenger rail service past year 10. If the Proposer decides to not operate passenger rail service past year 10, the Department may, as set forth in the Sale Agreement, take back a passenger rail easement. e. Right of State to re-acquire in instances of financial distress or proposed abandonment or discontinuance.
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Business Plan and Projected Economic Activity Sub Total	59.00	60.00	N/A	N/A	N/A
Total Score	99.00	100.00	N/A	N/A	N/A