



PO Box 145, Arthur, North Dakota 58006-0145    www.arthurcompanies.com    701.997.6101    fax 701.364.5434

November 4, 2024

West Central Ag Services  
327 1<sup>st</sup> St SW  
PO Box 368  
Ulen, MN 56585

Dear Management and Board Members:

The Arthur Companies, Inc. (“ACI”) is pleased to submit a non-binding indication of interest with respect to the potential acquisition (the “Proposed Transaction”) of WEST CENTRAL AG SERVICES, a Minnesota non-stock cooperative organization (the “Company”). We have an interest in providing an alternative option for members of the Company to evaluate a realization of both the equity value and patronage of their interests in the cooperative today.

We are excited about the prospect of combining these two great enterprises together. The Arthur Companies, founded in 1906, is an independent and employee-owned business whose mission is to enable growth and prosperity with our producers, partners, and communities we serve. We believe we can realize significant value for members today while also providing a fantastic home for the current team to continue the tradition of delivering exceptional services to producers in your region.

This letter, which outlines the proposed terms (the “Proposal”) on which ACI is interested in pursuing a potential acquisition of the Company, is the first step in the potential we can realize together for your members, the team, and the communities you serve. We are confident that we can execute the Proposed Transaction along the terms and conditions set forth in this letter.

1. Valuation: Our preliminary purchase price for one hundred percent (100%) of the membership interests in the Company values the Company at \$250.0 million and includes an additional payment to the Company of the agreed-upon market value of the net working capital of the Company, including adjustment for Company indebtedness.

The Proposal set out herein is based on our preliminary review of publicly available financial information and our analysis of financial and other certain preliminary key assumptions, including:

- The Company maintaining a normalized level of net working capital;
- The Company continuing to perform in the ordinary course in accordance with past practices;
- The Company’s transaction costs shall be borne by the members of the Company; and
- The Company’s financial, operating, and tax information is accurate.



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We are committed to finding a structure to effectuate the Proposed Transaction in the most tax-efficient manner for ACI, the Company, and its members.

2. **Financing:** We anticipate that if we complete our due diligence and enter into a definitive agreement to acquire the Company (“Purchase Agreement”), we will fund the acquisition with a combination of cash and senior debt financing from certain financial institutions with whom we enjoy strong relationships. We expect to receive commitments in due course from our lending partners, who have extensive experience investing in the agribusiness markets and providing financing for transactions of the nature of the Proposed Transaction.
3. **Integration:** We are excited about the opportunity to partner with the Company's current management team. We intend to work with the Company to develop an integration business plan to bring the two businesses together. Based on our current understanding of the Company's business, we expect the following elements to be included initially:
  - (a) Best practices, technologies, and capabilities would be shared between business entities;
  - (b) Grain merchandising teams, agronomy procurement teams, and administrative teams will be integrated to work together across business entities to maximize synergies, enhance customer service, and deliver future growth of the combined businesses;
  - (c) All existing growers of the Company would strive to be retained, and a focus on earning trust and continuing to deliver exceptional service will be maintained; and
  - (d) The combined management team will be involved in setting strategies and direction for the business. We believe that retaining these employees' talent, expertise, and experience is critical to the successful operations of the combined business going forward. We intend to integrate management and employees into ACI's incentive plans to encourage employee retention and allow management to participate in value created beyond our investment.
4. **Conditions:** The closing of the Proposed Transaction will be subject to customary closing conditions for transactions similar to the Proposed Transaction, including but not limited to the receipt of all material required approvals, including governmental, regulatory, and third-party consents and other matters as may be reasonably required by ACI and agreed by the parties.
5. **Exclusivity:** In consideration for the time and resources that ACI will devote to the Proposed Transaction, the Company agrees that for the 90-day period following its acceptance of this Proposal (the “Exclusivity Period”), it will not, and it will cause its officers, directors, employees, representatives, agents, members, and affiliates (with the Company, a “Company Party”) not to discuss, pursue or enter into any agreements or arrangements with respect to a possible: (i) reorganization, dissolution, liquidation, or recapitalization of the Company or involving the Company; (ii) merger, consolidation,



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exchange, or acquisition involving the Company; (iii) sale of any material amount of assets of the Company other than in the ordinary course of business and consistent with past practice; (iv) direct or indirect acquisition or purchase of any equity interests or debt securities of the Company (however structured, and whether such equity interests are currently outstanding or newly issued); (v) material dividends or equity repurchases outside of the ordinary course of business and consistent with past practice; (vi) any similar transaction or business combination involving the Company or its business or equity or assets; or (vii) other transactions the consummation of which would prevent, impede, or delay the consummation of the Proposed Transaction (each of the above, an “Alternative Transaction”), or provide any information to any other party in connection therewith. The Company agrees to notify ACI in the event any Company Party receives during the Exclusivity Period any requests for information or proposals relating to a possible Alternative Transaction or any interest therein, as well as to provide ACI with the terms of any such proposal.

6. Conduct of Business; Due Diligence: During the Exclusivity Period, the Company will conduct its business and operations in the usual and ordinary course of business in accordance with good business practices. The Company will provide ACI and its representatives, agents, consultants, advisors, and lenders with reasonable access during normal business hours to the properties, personnel (including appropriate management and outside advisors), and financial, legal, accounting, tax, and other data and information relating to the business, operations, and properties of the Company. We expect to perform our confirmatory due diligence investigation, which will require additional access to management, in a timely manner so as to cause as little disruption as possible to management and the Company, and we are prepared to dedicate the necessary resources to do so. Our confirmatory due diligence will include, but is not limited to, satisfactory completion of business and operational, financial, legal, tax, environmental, intellectual property, labor records and agreements, confirmation of prior run-rate revenue and EBITDA figures, including any bonus structures and/or incentive plans for employees, sales and customer retention pipeline and forecasting, material customer and supplier relationships, and any other matters that ACI’s accountants, tax and legal counsel, and other advisors deem relevant. We also intend to complete a quality of earnings analysis. With full cooperation from the Company and its advisors, we would expect to be able to complete our confirmatory diligence within 60 days and, in parallel, commence drafting of the Purchase Agreement and other definitive transaction documents in order to arrive at a signed Purchase Agreement in an expeditious manner.
7. Fees and Expenses: Except as otherwise provided in this Proposal or in the definitive transaction documents, the Company and ACI will pay their respective fees and expenses incurred in connection with the Proposed Transaction.
8. Binding Effect; Governing Law; Counterparts; Authority: This Proposal is only a statement of the parties’ mutual present intent with respect to the Proposed Transaction, and it does not address all material matters upon which the parties must reach agreement in order for the Proposed Transaction to be consummated. This Proposal is not, and the parties do not



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intend for it to be, a binding commitment or agreement, nor does it impose any legal obligations on the parties except for the provisions of Sections 5 (Exclusivity), 6 (Conduct of Business), and 8 (Binding Effect; Governing Law; Counterparts; Authority) of this Proposal, each of which, upon acceptance of this Proposal, will constitute a binding and enforceable agreement among the parties hereto and their successors. No party will be bound to consummate the Proposed Transaction unless and until all parties have executed (in their sole discretion) a mutually acceptable Purchase Agreement and other definitive transaction documents. Without limiting the foregoing, except and solely to the extent that ACI and the Company each determine in their sole discretion to enter into a written Purchase Agreement and other definitive transaction documents concerning the Proposed Transaction, and then only to the extent set forth in such definitive transaction documents: (i) neither ACI nor the Company will have any commitment or obligation of any kind whatsoever to consummate the Proposed Transaction, whether by virtue of this Proposal, any other written or oral expression with respect to the Proposed Transaction, or otherwise; and (ii) nothing contained in this Proposal or elsewhere will require ACI to continue to evaluate, pursue, or consummate the Proposed Transaction and ACI may cease doing so in its sole discretion at any time without notice. For purposes hereof, the term “definitive transaction documents” and similar terms do not include an executed Proposal or any other preliminary written agreement, nor do they include any written or oral acceptance of an offer or bid.

This Proposal will be governed by and construed in accordance with the internal laws (and not the laws of conflicts) of the State of Minnesota. This Proposal may be executed in one or more counterparts (including by facsimile or .pdf), none of which need to contain the signature of more than one party, and all of which, taken together, will constitute one and the same agreement. This Proposal constitutes the entire agreement between us (and or any of our respective affiliates) and supersedes all prior communications, agreements, and understandings, written or oral, with respect to the subject matter hereof. No party may assign this Proposal without the other party’s consent, and any assignment without consent will be void. The Company represents that it will not, by executing and complying with this Proposal or pursuing the Proposed Transaction described herein, violate the terms of any other agreement or obligation to which the Company or any Company Party is subject and further represents and warrants that the Company has taken all actions that may be necessary in order to make the binding provisions of this Proposal legal, valid, and binding obligations of the Company.

9. ConACIts: Please direct all communications or inquiries to ACI care of James Burgum at [jburgum@arthurcompanies.com](mailto:jburgum@arthurcompanies.com) or (701) 866-9175 or Eric Ingvaldson at [eingvaldson@arthurcompanies.com](mailto:eingvaldson@arthurcompanies.com) or 701-997-6143.

As previously stated, this letter is a non-binding indication of interest for the purchase of the Company and is not an offer by ACI to purchase the Company or engage in any other transaction with respect to the Company and does not give rise to any legally binding commitment of either ACI or the Company. Any such agreement shall be created solely by the execution of the Purchase Agreement.



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We realize that as an unsolicited bid, we have work to do to earn the trust of the board, management, and, most importantly, the members of the cooperative. We are genuine and sincere in wanting to help find the best possible outcome through this transaction for all parties involved. West Central Ag and The Arthur Companies have been providing our customers a “grower advantage” for many years, and we are confident that with the combination of our businesses, we can take that to new levels. This is a unique opportunity for the Company to help set a new precedent in our industry for growers to unlock value and reinvest that back into their operations, their families, and their communities while strengthening the services that members depend on as partners in ag production.

We are hopeful that you find our third indication of interest acceptable and given the fiduciary duties of the board and officers of the Company, we are invited into a process of meeting with management and performing an in-depth review of the Company. We are available at your convenience to discuss our Proposal in further detail or to answer any questions that you may have.

Best regards,

THE ARTHUR COMPANIES, INC.

DocuSigned by:  
*James Burgum*  
By: \_\_\_\_\_  
B45DB8BAE114408...  
Name: James Burgum  
Title: Chief Executive Officer