

**SOUTH DAKOTA STATE RAILROAD BOARD MEETING
BECKER-HANSEN BUILDING
COMMISSION BOARDROOM
May 18, 2016 @ 11:00 A.M.**

AGENDA

WEDNESDAY
MAY 18, 2016

11:00 A.M.

Todd Yeaton, Chair

- Call to Order
- Approve the minutes of meeting on April 20, 2016 **1**

11:15 A.M.

Bruce Lindholm, Office of Air, Rail, and Transit

- Consideration of MRC maintenance plan and committee report follow up **2**
- Consideration of Sully County RRA – Ring Neck Energy loan **3**
- Consideration of MRC RRA lease & sublease Amendment 1 **4**
- Consideration of sale of property located in Presho, SD **5**
- Consideration of Dakota Southern connection to mainline on MRC line **6**
- Consideration of MRC Meet and Pass Siding **7**
- Discussion on Sioux Valley & Napa-Platte committee report
- Update on MRC project

Adjourn

To participate by telephone, please dial **1-866-410-8397** and enter code **1289182255** to be logged into the meeting

Notice is further given to individuals with disabilities that this board meeting is being held in a physically accessible place. Any individuals with disabilities who will require a reasonable accommodation in order to participate in the board meeting should submit a request to the department's ADA Coordinator at 605 -773-3540 or 1-800-877-1113 (Telecommunication Relay Services for the Deaf). Please request the accommodations no later than **2 business days prior to the meeting** in order to ensure accommodations are available.

Meeting agendas are now posted online at Boards and Commissions site
<http://boardsandcommissions.sd.gov/>

SOUTH DAKOTA STATE RAILROAD BOARD MEETING

April 20, 2016 @ 9:00 AM
Oacoma Community Center
Oacoma, South Dakota

MEMBERS: Todd Yeaton, Chair
Carl Anderson via phone
Jeff Burket
Jerry Cope
Sheldon Cotton
Gary Doering
Harlan Quenzer

OTHERS: Tub Harrington, Lucy Halverson, Jim Marker, Terry Carter, Matt Windsand, Blake Jones, Brad Quitt, Brian Hammerbeck, Alex Huff, Chris Brozik, Dick Huff, Jack Parliament, Jeff Cooley, and Lester Thompson.

Staff: Joel Jundt, Bruce Lindholm, Karla Engle, Lynn Kennison, Misty Siedschlaw (via phone), and Bonnie Olson (via phone)

PHONE: Bob Mercer and Matt Konenkamp

Agenda Items:

Call to order

- 1) Approve the minutes of meeting on March 16, 2016
- 2) Consideration of Dakota Plains Ag connection to mainline near Napa Junction
- 3) Consideration of Pennington Weed Spraying contract
- 4) Consideration of weed spraying between Ravinia and Platte
- 5) Consideration of bridge timber salvage
- 6) Update on MRC operations-Mike Williams
- 7) Discussion on MRC committee report
- 8) Update on MRC line project

Chair Yeaton called the regular meeting of the South Dakota State Railroad Board (the "Board") to order at 9:00 AM with a quorum present.

- 1) Motion by Cotton, second by Quenzer, to approve the March 16, 2016, Railroad Board meeting minutes. Motion carried by roll call vote (all aye).

Bruce Lindholm, Office of Air, Rail, and Transit

- 2) Consideration of Dakota Plains Ag connection to mainline near Napa Junction

Lindholm provided information to the Board regarding a request received from Dakota Plains Ag Center, LLC for the Board's approval to connect to the Napa Platte Line at Napa Junction. The connection would be just west of the Napa Wye. Dakota Plains Ag Center, LLC will also connect directly to the BNSF mainline. Dakota Plains Ag Center, LLC is requesting this connection in order to have access to other markets and for operational flexibility.

Motion by Burket, second by Anderson to authorize the Department to prepare and execute an agreement with Dakota Plains Ag Center, LLC allowing a rail connection to the Napa to Platte mainline west of the Napa Wye.

Motion carried by roll call vote (all aye)

- 3) Consideration of Pennington Weed Spraying contract

The Department of Transportation (the "Department") is requesting the Board's approval to enter into a contract with Pennington County, South Dakota for weed control on the portion of the line from Kadoka to Rapid City. The approximate cost of this work is \$6,000.

Motion by Cotton, second by Quenzer to authorize the Department to enter into a contract with Pennington County, South Dakota, for weed control services.

Motion carried by roll call vote (all aye)

- 4) Consideration of weed spraying between Ravinia and Platte

The Department is requesting the Board's approval to enter into a contract for weed control on the portion of the Napa-Platte line from Ravinia to Platte. The approximate cost of this work is \$15,000.

Motion by Cope, second by Burket to authorize the Department to enter into a contract for weed control services on the portion of the Napa-Platte line between Ravinia and Platte.

Motion carried by roll call vote (all aye).

- 5) Consideration of bridge timber salvage

The Department is requesting the Board to declare the long bridge ties removed from the Missouri River bridge and the stringer ends from the smaller bridges to be excess to the needs of the State of South Dakota and authorize the sale of the excess materials by public bid. The long ties are 9"X11.5" and come in lengths of 15 to 20 feet. There are approximately 750 of these long ties. The stringer ends are 11" X17" and are various lengths. These stringer ends are from new stringers that had to be shortened to fit onto a bridge. There are a number of these and would make good blocking for a variety of projects.

Motion by Burket, second by Quenzer to declare the long bridge ties off the Missouri River bridge and the stringer ends off the smaller bridges to be excess to the needs of the State and direct the Department to advertise for bids for the sale of these excess salvage materials.

Motion carried by roll call vote (all aye).

6) Update on MRC operations-Mike Williams

Lester Thompson and Terry Carter, representatives of Dakota Southern Railway Company ("DSRC"), addressed the Board on behalf of Mike Williams and DSRC. Thompson updated the Board on MRC operations.

- No current car count for 2016
- Working on Titerton siding maintenance
- Bridges are being upgraded to FRA load rating, project is scheduled for completion September 2016
- No start date for moving ballast
- Waiting for Rail Works ballast cars
- Short discussion on scheduling maintenance crews
- A ballast regulator operator and tamper operator have been scheduled to arrive and begin operations to surface and line the rail east of Chamberlain.

7) Discussion on MRC committee report

A committee of the Board, consisting of Doering, Cope, and Quenzer, along with Department staff, made observations of the condition of the MRC rail line and provided the Board with a summary of their observations.

At the direction of the Board, the committee's written report is attached to these meeting minutes as **Attachment A**.

8) Update on MRC line project

Lindholm updated the Board on the status of the MRC project. There are a few punch list items to finish up by end of day April 21, 2016. All the salvage or junk

bridge timbers are being removed. Small segments of line are being completed at a time.

The meeting was adjourned at 10:05 AM upon a motion for adjournment by Cope, second by Doering.

Next meeting is scheduled for May 18, 2016, at 11:00 AM.

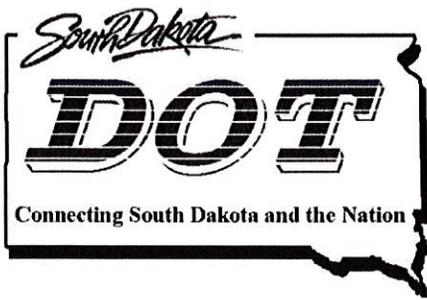
DRAFT

MRC COMMITTEE REPORT

General observations:

1. The first three miles on the east end from MP 375 to MP 378:
 - a. This segment was built as an "in kind" investment by the DSRC:
 - b. There is:
 - a significant lack of ballast;
 - excessive weed growth;
 - skeletonized cribbing; and
 - broken ties.
 - c. One of the worst looking sections of the line.
2. Rail line from Mitchell to Gavilon: (The TIGER Grant Phase I construction started at MP 378)
 - a. Vegetation growing in ballast between rails in many locations;
 - b. Areas where trees and brush should be cut back and / or removed;
 - c. Visible gap between bottom of rail and top of ballast in some locations;
 - d. Apparent horizontal movement of ties perpendicular to the rail lines in some locations;
 - e. Spaces between ends of ties and adjacent dirt (not ballast) indicating horizontal movement
 - f. Apparent horizontal movement of ties transverse to (in line with) the rail lines in some locations;
 - g. Spaces between sides of ties and adjacent dirt (not ballast) indicating horizontal movement
 - h. Spaces between the bottom of the plates and the top of the ties indicating vertical movement of the ties
 - i. Obvious lack of ballast outside of rails at end of ties and on shoulders in some locations;
 - j. Horizontal misalignment of rail is visible at numerous locations;
 - High rail pickup weaved back and forth rather abruptly
 - While may not be so severe as to cause hazard at this time, the misalignment is visible to the eye without the need for alignment equipment.
 - Misalignment can cause rail car rocking which will exacerbate the horizontal misalignment in the future
 - k. Vertical misalignment of rail is visible at numerous locations;
 - High rail pickup weaved back and forth rather abruptly.
 - While may not be so severe as to cause hazard at this time, the misalignment is visible to the eye without the need for alignment equipment
 - Misalignment can cause rail car rocking which will exacerbate the vertical misalignment in the future
 - l. Differences in cross elevation noted at numerous locations;

- m. Some broken ties visible at numerous locations;
 - n. Broken ties need to be replaced
 - o. Some loose rail spikes evident at various locations indicating aged ties in need of replacement;
 - p. Areas where ballast was placed but not tamped into place; and
 - q. Some piles of waste material observed that can and should be salvaged or removed and disposed; and
 - r. Old equipment setting along the rail line that appears to have not been used for several years.
3. Rail line from Gavilon to Pukwana:
- a. Vegetation growing in ballast between rails in some locations; and
 - b. Visually appears to be generally in good condition.
4. Dakota Southern Rail Yard:
- a. What a mess!!!!;
 - b. Waste ties piled in ravine should be removed and disposed; and
 - c. Waste rail and other iron piled at various locations should be segregated and stored in a single location until it can be removed and disposed.

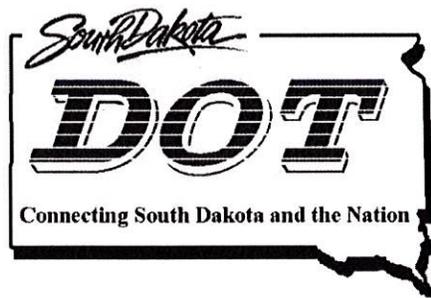


Department of Transportation
Division of Secretariat
Office of Air, Rail & Transit
700 East Broadway Avenue
Pierre, South Dakota 57501-2586
OFFICE: 605/773-3574
FAX: 605/773-2804

MEMORANDUM

Date: May 12, 2016
To: South Dakota State Railroad Board
From: Darin Bergquist, Secretary, Department of Transportation
Subject: MRC Maintenance Plan

At the April South Dakota Railroad Board meeting Railboard members Jerry Cope, Harlan Quenzer and Gary Doering reported to the rest of the Board their observations of the condition of the MRC line from Mitchell to Chamberlain as they viewed the line on April 14, 2016. Since this subcommittee reported their observations at the May meeting, the Board could not take any action until the May meeting.



Department of Transportation
Division of Secretariat
Office of Air, Rail & Transit
700 East Broadway Avenue
Pierre, South Dakota 57501-2586
OFFICE: 605/773-3574
FAX: 605/773-2804

MEMORANDUM

Date: May 12, 2016

To: South Dakota State Railroad Board

From: Darin Bergquist, Secretary, Department of Transportation

Subject: Sully County Regional Railroad Authority Ring Neck Energy Loan Request

Sully County Regional Railroad Authority and Ring Neck Energy are requesting a \$5,078,423 loan for the purpose of constructing a loop track at a new 70 million gallon ethanol plant to be located in Onida, South Dakota. The construction estimate and other documents are attached for your review.

RAILROAD TRUST FUND LOAN APPLICATION

SECTION I. APPLICATION INFORMATION

DATE 12/15/15

NAME OF APPLICANT: Ring-neck Energy & Feed, LLC

APPLICANT ADDRESS: PO Box 68 215 A main St

CITY/STATE/ZIP: Onida, SD 57564

COUNTY: Sully

NAME OF INDIVIDUAL, IF NOT APPLICANT, COMPLETING THIS FORM: Walter Wendland TELEPHONE: 605-258-2900

SOURCE OF FUNDS:

Amount applied for from RAILROAD TRUST FUND _____

Amount applied for from BANK _____

Amount provided by Applicant _____

Amount applied for from Other _____

Specify Other _____

Total sources of funds _____

RAIL OPERATOR IS A : Proprietorship _____ Partnership _____

Corporation _____ Other (Specify) LLC

DATE REGIONAL RAILROAD AUTHORITY ESTABLISHED IN SOUTH DAKOTA _____

RAIL OPERATOR'S OFFICE LOCATION (S)

OF EMPLOYEES

215A main St office

1 (at this time)

30491 186th St site

40 (future)

Onida, SD

RAIL OPERATOR'S TAX IDENTIFICATION: Federal # 47-1859451

State# D4040261

STATE UNEMPLOYMENT ID NUMBER: # 35089.0-4

SECTION II. PURPOSE OF LOAN

DESCRIPTION OF THE PROJECT AND PURPOSE OF THE LOAN:

Attachment A.

DATE CONSTRUCTION WILL COMMENCE: Dirt work underway.

ESTIMATED COMPLETION DATE: Spring 2017

USES OF ALL FUNDS: This section includes the project's proposed uses of funds.
(If additional space is needed, please attach a separate sheet)

Attachment B.

SECTION III. METHOD OF LOAN REPAYMENT

Attachment C.

Identify personal and corporate guarantees and other collateral for this loan. (If additional space is needed, please attach a separate sheet)

N/A

(If additional space is needed, please attach a separate sheet)

FINANCIAL STATEMENTS: Applicant and/or rail operator must also provide most recent three year financial statements. At a minimum, this history must contain balance sheet and income statement. Audited financials are preferred, however, other statements may be acceptable. If applicant or rail operator is newer than three years, it must provide all previous financials and include personal financials of the principals. Unaudited financial statements must be signed and dated by an authorized financial officer of the applicant and/or rail operator and details must be provided on existing debt agreements. If unaudited financial statements are provided, also include federal tax returns for the previous three years.

Attachment D,

SECTION VI. CERTIFICATION

All information contained above and in schedules attached hereto are true and complete to the best knowledge and belief of the applicant. There is no intent to deceive or defraud the Railroad Board or any potential participant in any loans to finance this project.

The applicant recognizes that the Division or the State Railroad Board may not process any application that is not complete. Incomplete applications will be returned to the applicant for completion.

The applicant recognizes that a letter of promise must be included stating the borrower does and/or will comply with all State/Federal environmental laws concerning business activities, local zoning laws and building codes before disbursement of funds from the Railroad Trust Fund.



PROJECT SUMMARY

Ring-neck Energy & Feed, LLC, is a South Dakota Limited Liability Company, located just outside of Onida, South Dakota. The facility is 30 miles east of the Missouri River in Sully County.

The project staff identified Sully County as an area that produced ample corn at a discounted price and upon further investigation found the necessary infrastructure to develop an ethanol production facility outside Onida, South Dakota. The ethanol plant will be capable of producing 70 million gallons per year (MMGY) of denatured ethanol through the processing of approximately 25 million bushels of local corn and grain sorghum. In addition, the Ring-neck Energy plant will annually produce approximately 212,500 tons of dried distiller's grains and solubles (DDGS) and 12.5 million pounds of distillers' corn oil (DCO). The goals of the company are: to produce 70 MMGY of fuel ethanol, produce a high-protein feed for local livestock producers, return profits to member investors, add value to agriculture in the area, meet the standard 20% reduction in greenhouse gas emissions and improve efficiency with the latest technology available for ethanol production.

While the Company will be able to process corn or grain sorghum, the principal feedstock will be corn. Grain feedstocks represent approximately 80% of a plant's operating costs. An adequate supply of grain at a price economically-feasible to the plant is essential for ensuring the long-term feasibility of an ethanol facility. South Dakota has experienced a 38%

increase in corn production from 2010 to 2014. In 2014, South Dakota produced approximately 787 million bushels of corn. Within the 100 miles surrounding Onida, SD, corn production has increased 66.7% to 223 million bushels of the same time period. Over that period, yields have increased from 116 bu/acre to 134 bu/acre within the 100 miles surrounding Onida, SD. Ring-neck will plan to source its grain supply locally from elevators and farmers. This 70 MMGY plant would consume 25 million bushels of corn. This represents approximately 10% of the total 2014 corn production within the 100 miles surrounding the plant site. As a result of the region's increasing corn production, local basis has widened relative to Chicago. This is due, in part, to demand lagging corn supply. The 5 year average basis to Chicago for East River, SD is \$0.57/bu under Chicago. The basis has recently widened further with the 1 year average basis of \$0.68 under Chicago.

The project founders and development team are experienced in the successful development, construction, and operation of ethanol production operations. Walter Wendland has been in the ethanol industry for over 13 years as CEO of two ethanol production facilities. The process technology is standard for the industry and the design-builder, Fagen Inc., is the leading design-builder in the industry having been involved in the design and construction for more than 75 plants in the U.S. Given the demonstrated experience of the management and supporting development team, the risks related to the technical design, construction and operation of the facility are low according to the feasibility study.

Ring-neck Energy has developed this project utilizing experienced leaders in the industry, adequate infrastructure for rail, natural gas, electricity and water as well as available locally produced corn and milo. This project will provide the farmers and ranchers a higher priced market for their corn and milo along with locally available feed for livestock. The local producers and investors will all benefit from this value-added industry.

The purpose of the loan is to build rail infrastructure to ship Ethanol and Distiller's Grains (DDGS). The site borders RCP&E short line, and the grant will be used to build the site's rail infrastructure.

Uses	
C	Plant design-build contract
C	Corn Oil Extraction
C	Land cost
C	Site development costs
C	Site fencing
C	Site maintenance
C	Site improvements
C	Water discharge
C	Soil stabilization
C	Hard surface roads
C	Site utilities
C	Site prep
C	Construction contingency
C	Construction insurance costs
C	Construction manager fees
C	Administrative building
C	Office equipment
C	Computers, software, network
C	Rail infrastructure
C	Railcars
C	Fire protection, water supply and water pretreatment
C	Capitalized interest
C	Rolling stock
	Start up costs:
CF	Financing costs
COFC	Cost of raising capital
E	Organization costs
E	Site cost
E	Pre Production period costs
E	Rail car down payment
I	Debt Service Reserve
I	Inventory - working capital
	140,000,000

C	Capitalize =	\$ 127,480,000
CF	Capitalize Finance cost =	750,000
COFC	Cost of raising capital =	105,000
I	Inventory =	10,000,000
E	Expense =	1,665,000
		\$ 140,000,000
	Income	\$ -
	Expense	(1,665,000)
	Net gain/(loss) yr 1	\$ (1,665,000)

B.

C.

Section III. METHOD OF LOAN REPAYMENT

We would propose that the loan be repaid by using a per car fee. The estimate for ethanol rail cars is 2,750 and Dried Distillers Grains cars at 1,000 so that the formula would be 3,750 cars at a rate of \$100 per car until the loan is repaid in full. This is assuming a 2 per cent interest rate.

The applicant also recognizes that Chapter 70:05:03 of the South Dakota Administrative Rules states that notwithstanding any assurance, guarantee, communication, or representation to the contrary. THERE SHALL BE NO COMMITMENT OF THE RAILROAD TRUST FUND WITHOUT SPECIFIC AUTHORIZATION OF THE STATE RAILROAD BOARD.

APPLICANT: Ring-neck Energy & Feed, LLC.

OFFICER'S SIGNATURE: Walter Wendland

OFFICER'S NAME: Walter Wendland

OFFICER'S TITLE: President / CEO

TELEPHONE NUMBER: 605-258-2900 DATE: 12/15/15

RESOLUTION NO. _____

APPROVE SOUTH DAKOTA
STATE RAILROAD BOARD

DATED _____

CHAIRMAN
DATE _____

CHAPTER 70:05:03
RAILROAD TRUST FUND LOANS

Section

- 70:05:03:01 Definitions.
- 70:05:03:02 Eligibility requirements.
- 70:05:03:03 Application requirements.
- 70:05:03:04 Equity contribution.
- 70:05:03:05 Permissible uses of loan proceeds.

Engineer's Preliminary Opinion of Probable Cost
 Ring Neck Energy - Onida, South Dakota
 December 29, 2015

Schedule A - Grading and Subballast - Rail Only

Bid Item Number	Items	Unit	Approximate Quantity	Unit Cost	Total
A-1	Mobilization	LS	1	\$ 100,000.00	\$ 100,000.00
A-2	Removals	LS	1	\$ 5,000.00	\$ 5,000.00
A-3	Remove & Reset Sign	LS	1	\$ 500.00	\$ 500.00
A-4	Remove Existing CMP	Ft	30	\$ 5.00	\$ 150.00
A-5	Plug Existing CMP	LS	1	\$ 1,500.00	\$ 1,500.00
A-6	Unclassified Excavation	CuYd	31,473	\$ 2.50	\$ 78,682.50
A-7	Placing Topsoil	CuYd	1,118	\$ 1.75	\$ 1,956.50
A-8	Contractor Furnished Borrow	CuYd	23,659	\$ 6.00	\$ 141,954.00
A-9	Waste	CuYd	15,010	\$ 2.00	\$ 30,020.00
A-10	Undercut	CuYd	3,774	\$ 2.00	\$ 7,548.00
A-11	Subballast	Ton	18,272	\$ 19.05	\$ 348,081.60
A-12	Geogrid	SqYd	41,678	\$ 1.71	\$ 71,269.38
A-13	18" CMP, Furnish	Ft	498	\$ 20.00	\$ 9,960.00
A-14	18" CMP, Install	Ft	498	\$ 15.00	\$ 7,470.00
A-15	18" CMP Flared End, Furnish	Each	3	\$ 200.00	\$ 600.00
A-16	18" CMP Flared End, Install	Each	3	\$ 150.00	\$ 450.00
A-17	18" CMP 45d Elbow, Furnish	Each	1	\$ 400.00	\$ 400.00
A-18	18" CMP 45d Elbow, Install	Each	1	\$ 200.00	\$ 200.00
A-19	8" Draintile, Furnish	Ft	312	\$ 6.00	\$ 1,872.00
A-20	8" Draintile, Install	Ft	312	\$ 4.00	\$ 1,248.00
A-21	Sediment Control at Inlet with Frame and Grate	Each	1	\$ 500.00	\$ 500.00
A-22	3'x4' Type C Drop Inlet with Solid Grate	Each	1	\$ 2,500.00	\$ 2,500.00
A-23	3'x4' Type C Drop Inlet with Standard Frame & Grade Assembly	Each	1	\$ 2,500.00	\$ 2,500.00
A-24	Class B Riprap	Ton	21	\$ 35.00	\$ 735.00
A-25	Type B Permanent Seed Mixture	Lb	26	\$ 50.00	\$ 1,300.00
A-26	Mulching	Ton	2.8	\$ 1,200.00	\$ 3,360.00
A-27	High Flow Silt Fence	Ft	80	\$ 6.00	\$ 480.00
A-28	12" Dia. Erosion Control Wattle	Ft	100	\$ 5.00	\$ 500.00
A-29	Railroad Protective Insurance	LS	1	\$ 3,500.00	\$ 3,500.00
A-30	Traffic Control	LS	1	\$ 10,000.00	\$ 10,000.00
A-31	Right of Entry Permit	LS	1	\$ 5,000.00	\$ 5,000.00

Total Schedule A	\$ 839,236.98
-------------------------	----------------------

Schedule B - Track Construction

Bid Item Number	Items	Unit	Approximate Quantity	Unit Cost	Total
B-1	Mobilization	LS	1	\$ 160,000.00	\$ 160,000.00
B-2	#11 Mainline Switch & Turnout, Furnish and Install	Each	1	\$ 120,000.00	\$ 120,000.00
B-3	#11 Industrial Switch & Turnout, Furnish and Install	Each	3	\$ 60,000.00	\$ 180,000.00
B-4	#9 Industrial Switch & Turnout, Furnish and Install	Each	6	\$ 55,000.00	\$ 330,000.00
B-5	#11 Crossover, Furnish & Install	Each	1	\$ 250,000.00	\$ 250,000.00
B-6	Track Construction	Tr-Ft	13,455	\$ 160.00	\$ 2,152,800.00
B-7	Timber Crossing	Ft	88	\$ 250.00	\$ 22,000.00
B-8	Double Switch Point Derail	Each	1	\$ 15,000.00	\$ 15,000.00
B-9	Clearance Point Sign	Each	20	\$ 200.00	\$ 4,000.00
B-10	Derail Target	Each	1	\$ 200.00	\$ 200.00
B-11	Bumping Post	Each	2	\$ 6,000.00	\$ 12,000.00
B-12	Right of Entry Permit	LS	1	\$ 5,000.00	\$ 5,000.00
B-13	Railroad Protective Insurance	LS	1	\$ 3,500.00	\$ 3,500.00

Total Schedule B	\$ 3,254,500.00
-------------------------	------------------------

Schedule C - Oahe Grain Infrastructure

Bid Item Number	Items	Unit	Approximate Quantity	Unit Cost	Total
B-1	# 11 Crossover, Furnish & Install	Each	3	\$ 200,000.00	\$ 600,000.00

Total Schedule C	\$ 600,000.00
-------------------------	----------------------

Total Construction Cost \$ 4,693,736.98
 Contingency \$ 234,686.85
 Engineering \$ 150,000.00
Total Project Cost \$ 5,078,423.83



SULLY COUNTY REGIONAL RAILROAD AUTHORITY
RESOLUTION 2016-1

APPROVAL FOR SULLY COUNTY REGIONAL RAILROAD AUTHORITY TO BORROW MONEY IN RELATION TO RAIL PROJECT IN ONIDA, SOUTH DAKOTA.

WHEREAS, Ring-Neck Energy & Feed, LLC proposes new grading and railroad construction on the rail line that serves Onida, South Dakota; and

WHEREAS, Ring-Neck Energy & Feed, LLC has requested that the Sully County Regional Railroad Authority make application to the South Dakota State Railroad Board Loan Fund; and

WHEREAS, the Sully County Regional Railroad Authority shall make application to the South Dakota State Railroad Board to borrow an amount up to Five Million Seventy Eight Thousand Four Hundred Twenty Three Dollars and Eighty Three Cents (\$5,078,423.83) for the new grading and railroad construction project; and

WHEREAS, the South Dakota State Railroad Board will require a Resolution from Sully County Commissioners acknowledging the authority of the Sully County Regional Railroad Authority to certify any tax levy as allowed by SDCL 49-17A-21 to be used in the event of default to pay such annual payments as may be required to service the project debt arising from the new grading and railroad construction project;

NOW, THEREFORE, BE IT RESOLVED, the Sully County Regional Railroad Authority shall make application for a loan from the South Dakota State Railroad Board in the amount of Five Million Seventy Eight Thousand Four Hundred Twenty Three Dollars and Eighty Three Cents (\$5,078,423.83) at an amortized amount approved by the South Dakota State Railroad Board, with their applicable interest rate, to fund the new grading and railroad construction project which serves Ring-Neck Energy & Feed, LLC.

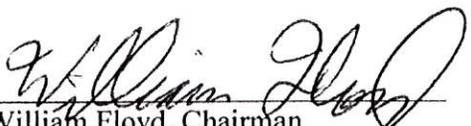
FURTHER RESOLVED, that a loan agreement shall be drafted and executed between the Sully County Regional Railroad Authority and Ring-Neck Energy & Feed, LLC to facilitate repayment of the loan for said new grading and railroad construction project.

Passed, approved and adopted this 11th day of March on a motion by Jane Pitlick, seconded by Andy Kleven, Motion carried.

Voting on Motion: Yea: William Floyd, Jane Pitlick, Andy Kleven,
(Luken abstained)

Nay: (none)

ATTEST: _____


William Floyd, Chairman
Sully County Regional Railroad Authority

SEAL

MINUTES OF MEETING OF THE SULLY COUNTY REGIONAL
RAILROAD AUTHORITY
March 11, 2016

The March 11, 2016, meeting of the Commissioners of the Sully County Regional Railroad Authority was called to order by Chairman, William Floyd at 8:30 p.m. at the Oahe Grain Corporation office at 300 Ash Avenue, Onida, South Dakota. Commissioners present included: William Floyd, Jane Pitlick, Andy Kleven, and Tim Luken. Also present were Attorney Emily J. Sovell; Kirk Yackley; Walter Wendland, representing Ring-Neck Energy & Feed, LLC; and CDI Engineer Carey Bretch.

The February 3, 2016 Minutes of Meeting were reviewed. Motion made by Tim Luken, seconded by William Floyd to approve the February 3, 2016 Minutes of Meeting as written. Unanimous vote approved the minutes.

New Business:

Members Jane Pitlick and Andy Kleven were sworn in and accepted the oath of office. Motion by Luken, seconded by Kleven to nominate Jane Pitlick to the open office of Secretary/Treasurer. Unanimous vote approved.

Discussion was held regarding the revised receipt received by the South Dakota DOT.

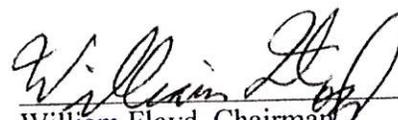
A Presentation was made by Carey Bretch, engineer with CDI, regarding the cost estimates and the diagrams for the proposed Ring-Neck Energy & Feed, LLC new grading and railroad construction. The proposal included proposed crossovers as well as track expansion in conjunction with an application for funding to the South Dakota State Railroad Board.

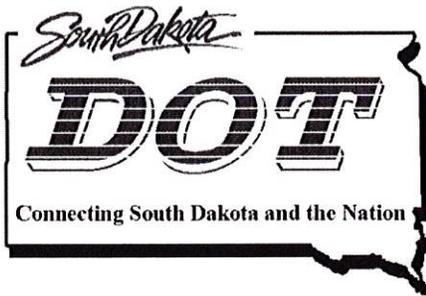
Resolution 2016-1 was reviewed. Motion by Jane Pitlick, seconded by Andy Kleven to pass Resolution 2016-1 to approve the application to apply for funding to the South Dakota State Railroad Board. Voting Aye: Jane Pitlick, William Floyd, Andy Kleven; Abstained: Tim Luken; Voting Nay: none. Motion passed.

The Amended and Restated By-Laws, drafted by Attorney Emily J. Sovell, were reviewed. Discussion was held regarding removal of paragraph (2) of Section 7. Motion by Andy Kleven to approve the Amended and Restated By-Laws, with discussed removal of paragraph (2) of Section 7, seconded by Jane Pitlick. Unanimous vote approved the Amended and Restated By-Laws. Attorney Emily J. Sovell will present for affirmation by creating governments.

Discussion was held to review E&O Insurance. Attorney Emily J. Sovell reported the information from the Commission was sent to Sunrise Insurance Agent, Michael Owens.

Motion made by Tim Luken, seconded by Jane Pitlick to adjourn. Unanimous vote approved and the meeting was adjourned.


William Floyd, Chairman



Department of Transportation
Division of Secretariat
Office of Air, Rail & Transit
700 East Broadway Avenue
Pierre, South Dakota 57501-2586
OFFICE: 605/773-3574
FAX: 605/773-2804

MEMORANDUM

Date: May 12, 2016
To: South Dakota State Railroad Board
From: Darin Bergquist, Secretary, Department of Transportation
Subject: MRC Lease and Sublease Amendment 1

At the June 25, 2015 meeting the Board eliminated the loans for the MRC project and the repayment of those loans via a \$50 per car surcharge. At that time the loan surcharge was not being applied to cars originating or terminating at the Graphics Packaging plant in Mitchell. The surcharge was not being applied to this facility because that portion of the line was not upgraded using loan funds, but was rather done by another agreement with Dakota Southern. When the overall surcharge was imposed on the line, it was written in such a way to include the box plant.

DOT is requesting the board clarify the intent of the board regarding the imposition of the surcharge on the box plant. Also, there is a shipper of salvage materials near the beginning of the MRC TIGER project – however, their switch was part of the TIGER project. DOT is requesting clarification of the surcharge for this shipper as well.

Amendment Number 1 to Agreement Number 910866

BACKGROUND:

1. On January 1, 2012, the State of South Dakota, acting by and through its Department of Transportation, referred to in this Amendment as the "State," and MRC Regional Railroad Authority, referred to in this Amendment as the "Authority," entered into a lease agreement, which agreement, referred to in this Amendment as the "AGREEMENT," was signed by a representative of each party and assigned agreement number 910866 by the State.
2. The State and the Authority wish to amend the AGREEMENT effective June 25, 2015.

THE STATE AND THE AUTHORITY MUTUALLY AGREE AS FOLLOWS:

1. Effective June 25, 2015, paragraph 17 of the AGREEMENT, entitled "Payment," is revised to read as follows:
 17. Payment. The Authority will make an annual rent payment, "Rent" to the State based on traffic for each calendar year for the lease and use of the Rail Facilities, equal to one percent (1%) of the gross revenues for any rail freight, passenger service, or rail car storage originating, terminating, or carried along any point on the Rail Facilities. In addition to the Authority making the annual rent payment, the Authority will make an annual per car surcharge payment, "Surcharge" of \$50.00 on all traffic originating and all traffic with a destination on the rail line effective January 1, 2015.

Revenues will be calculated each calendar year commencing January 1, 2012, and the Rent will be payable on May 1 of the next succeeding year, commencing May 1, 2013. The Surcharge will be calculated each calendar year commencing January 1, 2015, and the Surcharge will be payable on May 1 of the next succeeding year, commencing May 1, 2016. A late payment fee will be assessed to annual payments not received by May 1 of each year, calculated at a rate of 1.5% per month.

Further, the Authority agrees that the State reserves the right to renegotiate the Rent on or before each annual anniversary date of this Agreement by giving the Authority notice, in writing, at least thirty (30) days prior to the annual anniversary date of each year that the State intends to renegotiate the Rent.

2. Except as modified by this Amendment, all other terms and conditions of the AGREEMENT will remain in full force and effect.

This Amendment is binding upon the signatories not as individuals, but solely in their capacities as officials of their respective organizations and acknowledges proper action of the State and the Authority to enter into the same.

MRC Regional Railroad Authority

By: Thomas Greenway

Name: THOMAS GREENWAY

Its: Chairperson

Date: 12-17-15

State of South Dakota
Department of Transportation

By: Darin P. Bergquist

Name: Darin P. Bergquist

Its: Secretary

Date: 12/24/15

(CORPORATE SEAL)

Approved as to Form:
William J. Nevin
Special Assistant Attorney General

ACKNOWLEDGMENTS FOLLOW

AUTHORITY ACKNOWLEDGMENT

STATE OF SOUTH DAKOTA)
) : SS
COUNTY OF Bentley)

On this the 17th day of December, 2015, before me, Kenneth W. Cotton, a Notary Public within and for said County and State, personally appeared Thomas Greenway, Chairperson of the MRC Regional Railroad Authority, known to me or satisfactorily proven to be the person who is described in the foregoing instrument, and acknowledged that he executed the same in the capacity therein stated and for the purposes therein contained.

In witness whereof I hereunto set my hand and official seal.



Kenneth W. Cotton

NOTARY PUBLIC

My Commission Expires: 8-1-2021

STATE ACKNOWLEDGMENT

STATE OF SOUTH DAKOTA)
) : SS
COUNTY OF HUGHES)

On this the 24th day of December, 2015, before me, Wanda Amundson, a Notary Public within and for said County and State, personally appeared Darin P. Bergquist, Secretary of the South Dakota Department of Transportation, known to me or satisfactorily proven to be the person who is described in the foregoing instrument, and acknowledged to me that he executed the same in the capacity therein stated and for the purposes therein contained.

In witness whereof I hereunto set my hand and official seal.



Wanda Amundson

NOTARY PUBLIC

My Commission Expires ~~My Commission Expires~~ June 7, 2016

RESOLUTION NO. 2015 -B08

BE IT RESOLVED BY THE
SOUTH DAKOTA STATE RAILROAD BOARD

WHEREAS, SDCL 49-16C-1 states: "For the purpose of planning, enlarging, maintaining, equipping, and protecting railroads and railroad facilities, there is hereby created a special fund within the state treasury known as the railroad trust fund. All moneys in the fund, except as otherwise provided in this chapter, shall be expended in accordance with the provisions of chapter 4-7, chapter 4-8, chapter 4-8A, and chapter 4-8B."

WHEREAS, on May 26th, 2011, the South Dakota Railroad Board approved loan (714336) in the amount of \$2,700,000.00 to MRC Regional Railroad Authority for the rehabilitation of rail between Mitchell and Chamberlain;

WHEREAS, MRC Regional Railroad Authority has since made payments in the amount of \$460,850.00, leaving a loan balance of \$2,239,150.00;

WHEREAS, On March 19th, 2014, the State Railroad Board approved loan (715514) in the amount of \$3,500,000.00 to the MRC Regional Railroad Authority for the rehabilitation between Chamberlain and Presho ;

WHEREAS, the loan (715514) funds have not been drawn down as of today; and,

WHEREAS, the South Dakota Railroad has approved to do direct expenditure and implement a \$50.00 per car surcharge on any cars originating or terminating on the MRC Rail line;

It is resolved, with the approval of the Governor:

1. The Secretary of the Department of Transportation or his designee will execute all documents under the following terms:

- a. The loan (714336) of a current balance of \$2,239,150.00 be forgiven;
- b. The loan (715514) agreement in amount of \$3,500,000.00 be terminated and the amount be a direct expenditure from the Railroad Trust;
- c. Direct expenditure of Railroad Trust funds in the amount of 2,500,000.00 and,
- d. Implement \$50.00 per car surcharge on cars originating and terminating on the MRC Rail line until such time as the Board determines the surcharge should be modified or terminated.

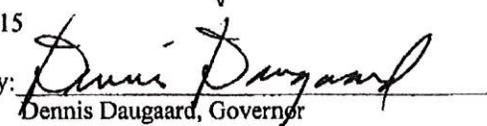
2. The South Dakota State Railroad Board authorizes DOT to obligate funds from the Railroad Trust Fund (3044) as direct expenditures in the amount of \$6,000,000.00 and implement \$50.00 per car surcharge on cars originating and terminating on the MRC Rail line until such time as the Board determines the surcharge should be modified or terminated.

Approved this 15 day of July, 2015.

SOUTH DAKOTA STATE RAILROAD BOARD

By: 
Todd Yeaton, Chair

Approved this 31st day of August, 2015

By: 
Dennis Daugaard, Governor

Amendment Number 1 to Agreement Number 910867

BACKGROUND:

1. On January 1, 2012, the MRC Regional Railroad Authority, referred to in this Amendment as the "Authority," and Dakota Southern Railway Company, referred to in this Amendment as the "Operator," entered into a sublease agreement, which agreement, referred to in this Amendment as the "AGREEMENT," was signed by a representative of each party and assigned agreement number 910867 by the State of South Dakota, acting by and through its Department of Transportation, referred to in this Amendment as the "State."
2. The Authority and the Operator wish to amend the AGREEMENT effective June 25, 2015.

THE AUTHORITY AND THE OPERATOR MUTUALLY AGREE AS FOLLOWS:

1. Effective June 25, 2015, paragraph 16 of the AGREEMENT, entitled "Payment," is revised to read as follows:

16. Payment. The Operator will make an annual rent payment, "Rent" to the Authority based on traffic for each calendar year for the lease and use of the Rail Facilities, equal to one and one half percent (1.5%) of the gross revenues for any rail freight, passenger service, or rail car storage originating, terminating, or carried along any point on the Rail Facilities. In addition to the Operator making the annual rent payment, the Operator will make an annual per car surcharge payment, "Surcharge" of Fifty Dollars (\$50.00) on all traffic originating and all traffic with a destination on the rail line effective January 1, 2015.

Revenues will be calculated each calendar year commencing January 1, 2012, and the Rent will be payable on May 1 of the next succeeding year, commencing May 1, 2013. The Surcharge will be calculated each calendar year commencing January 1, 2015, and the Surcharge will be payable on May 1 of the next succeeding year, commencing May 1, 2016. A late payment fee will be assessed to annual payments not received by May 1 of each year, calculated at a rate of 1.5% per month.

Further, the Operator agrees that the Authority reserves the right to renegotiate the Rent on or before each annual anniversary date of this Agreement by giving the Operator notice, in writing, at least thirty (30) days prior to the annual anniversary date of each year that the Authority intends to renegotiate the Rent.

2. Except as modified by this Amendment, all other terms and conditions of the AGREEMENT will remain in full force and effect.

SIGNATURE PAGE FOLLOWS:

This Amendment is binding upon the signatories not as individuals, but solely in their capacities as officials of their respective organizations and acknowledges proper action of the Authority and the Operator to enter into the same.

MRC Regional Railroad Authority

By: Thomas Brennan

Its: Chairperson

Date: 12-17-15

(CORPORATE SEAL)

Dakota Southern Railway Company

By: Mike Williams

Its: President

Date: 12-23-2015

(CORPORATE SEAL)

ACKNOWLEDGMENTS FOLLOW

Consent to enter into this Agreement given this 20th day of January, 2016.

State of South Dakota
Department of Transportation

By: D. Bryant
Its: Secretary

Approved as to Form:
William J. Nevin
Special Assistant Attorney General

AUTHORITY ACKNOWLEDGMENT

STATE OF South Dakota)
) : SS
COUNTY OF Bruce)

On this the 17th day of December, 2015, before me, Kenneth W. Cotton, a Notary Public within and for said County and State, personally appeared Thomas Balchway, Chairperson of the MRC Regional Railroad Authority, known to me or satisfactorily proven to be the person who is described in the foregoing instrument, and acknowledged that he executed the same in the capacity therein stated and for the purposes therein contained.

In witness whereof I hereunto set my hand and official seal.



Kenneth W. Cotton

NOTARY PUBLIC

My Commission Expires: 8-1-2021

OPERATOR ACKNOWLEDGMENT

STATE OF SOUTH DAKOTA)
) : SS
COUNTY OF Hughes)

On this the 27th day of January, 2016, before me, Wanda Amundson, a Notary Public within and for said County and State, personally appeared Darin Bergquist, Chairperson of the Dakota Southern Railway Company, known to me or satisfactorily proven to be the person who is described in the foregoing instrument, and acknowledged that he executed the same in the capacity therein stated and for the purposes therein contained.

In witness whereof I hereunto set my hand and official seal.



Wanda Amundson

NOTARY PUBLIC

My Commission Expires: Wanda Amundson
My Commission Expires
June 7, 2016

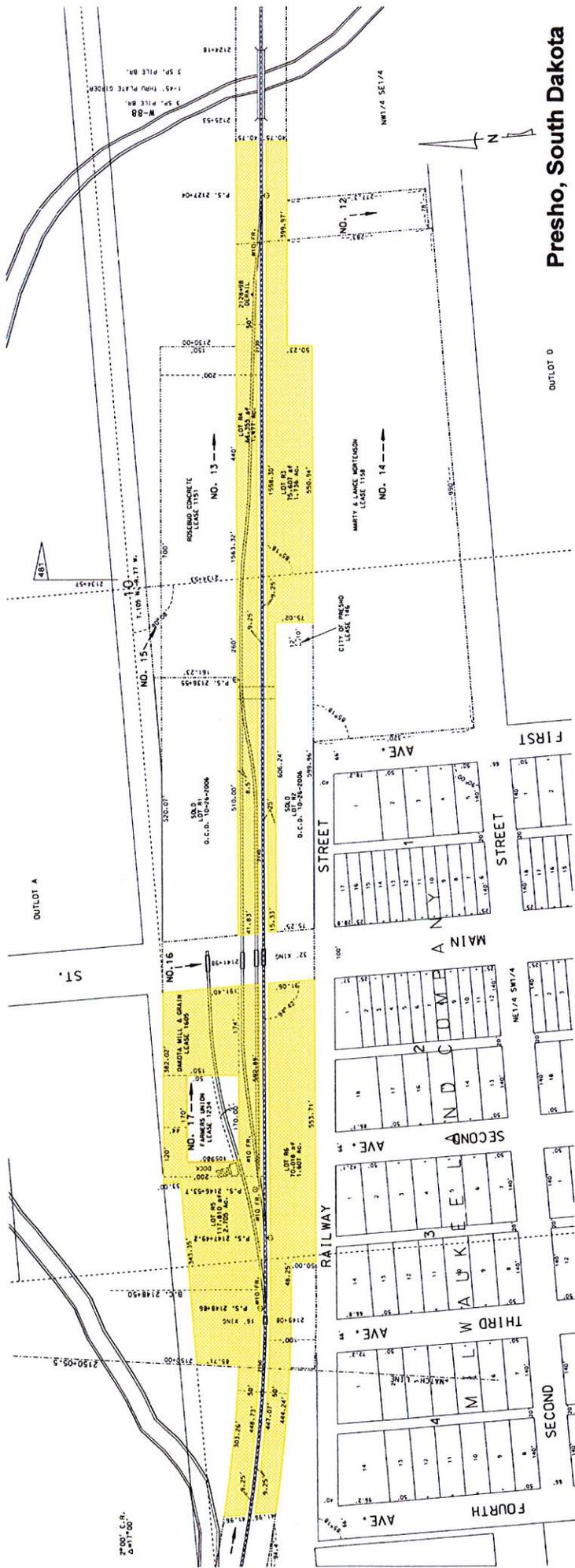


Department of Transportation
Division of Secretariat
Office of Air, Rail & Transit
700 East Broadway Avenue
Pierre, South Dakota 57501-2586
OFFICE: 605/773-3574
FAX: 605/773-2804

MEMORANDUM

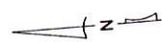
Date: May 12, 2016
To: South Dakota State Railroad Board
From: Darin Bergquist, Secretary, Department of Transportation
Subject: Proposed Property Sale in Presho, SD

Dakota Mill and Grain has requested they be allowed to purchase state owned Right of Way property Presho. The attached map shows the extent of the purchase request. Dakota Mill and Grain are requesting Board approval of the scope of the sale prior to obtaining an appraisal.



Presho, South Dakota

OUTLOT D

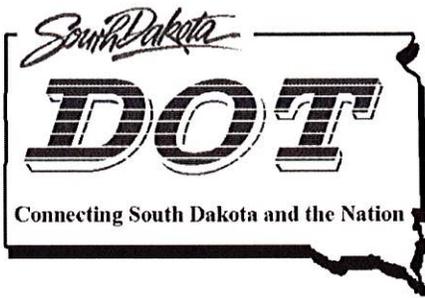


2000 C.R. 201000

M-88

NET 1/4 SE 1/4

NET 1/4 SW 1/4



Department of Transportation

Division of Secretariat

Office of Air, Rail & Transit

700 East Broadway Avenue

Pierre, South Dakota 57501-2586

OFFICE: 605/773-3574

FAX: 605/773-2804

MEMORANDUM

Date: May 12, 2016

To: South Dakota State Railroad Board

From: Darin Bergquist, Secretary, Department of Transportation

Subject: Dakota Southern Request to Install Switches on MRC Mainline, SD

Dakota Southern is requesting the Board allow connection to the mainline at approximately MP 415.5 and MP 413.5. The location is east of the Gavilon elevator. Switches will lead to storage track that will be built on private property owned by Dakota Southern.



Department of Transportation

Division of Secretariat

Office of Air, Rail & Transit

700 East Broadway Avenue

Pierre, South Dakota 57501-2586

OFFICE: 605/773-3574

FAX: 605/773-2804

MEMORANDUM

Date: May 12, 2016

To: South Dakota State Railroad Board

From: Darin Bergquist, Secretary, Department of Transportation

Subject: MRC Meet and Pass Siding

There is no location on the MRC for long trains to meet and pass. Staff would like to discuss options for the construction of a meet and pass siding.