

**SOUTH DAKOTA STATE RAILROAD BOARD MEETING MINUTES
FEBRUARY 21, 2018 – 11:00 A.M.
BECKER-HANSEN BUILDING – 700 EAST BROADWAY
PIERRE, SOUTH DAKOTA**

MEMBERS PRESENT: Sheldon Cotton, Member
Jack Nelson, Member
Steve Scharnweber, Member

**MEMBERS PRESENT
VIA CONFERENCE CALL:** Harlan Quenzer, Chair
Jeffrey Burket, Secretary-Treasurer
Jerry Cope, Vice Chair

DOT STAFF PRESENT: Darin Bergquist, Joel Jundt, Karla Engle, Bonnie Olson, Lynn Kennison, Misty Siedschlaw, Jack Dokken, and Patricia Saukel

**OTHERS PRESENT
VIA CONFERENCE CALL:** Alex Huff; Dick Huff; Jack Parliament – D & I Railroad Co. (D&I); Avory Beggs – Dakota Southern Railway Company (DSRC); Rob Everist – L. G. Everist, Incorporated and D&I; and Kim Halverson-Mitchell to Rapid City Regional Railroad Authority (MRCRRA)

Harlan Quenzer, Chair, called the meeting of the South Dakota State Railroad Board (the “Board”) to order at 11:04 a.m. Roll call was taken and a quorum was determined.

Chair Quenzer opened the floor to Board members to disclose potential conflicts of interest and to present requests for waivers pursuant to South Dakota Codified Law (SDCL) chapter 3-23.

No conflicts of interest were disclosed and no waivers were requested.

Chair Quenzer asked for a motion to approve the minutes of the January 17, 2018, Board meeting.

A MOTION WAS MADE by Nelson and seconded by Cotton to approve the January 17, 2018, meeting minutes. All present voted aye by roll call vote. The motion carried.

Department Secretary Darin Bergquist presented the Secretary’s Report. Bergquist informed the Board of the department’s receipt of a letter written by Chuck Jepson to the MRC Regional Rail Authority. Jepson had asked the department to distribute copies of his letter to the Board. As requested, the department provided a copy of the letter to Board members prior to the start of the meeting. No discussion or action was taken.

Secretary Bergquist presented to the Board consideration of hiring a consultant to perform a valuation appraisal of the Sioux Valley rail line. Bergquist stated that over the last few months, Rob Everist of D & I Railroad Co. (D&I), Bergquist, and Matt Konenkamp of the Governor's Office have had general discussions of the possibility of D&I purchasing the Sioux Valley rail line from the State of South Dakota (the "State"). Bergquist stated there would be a lot of details that would be associated with any type of transaction such as this. A starting point would be a valuation to find the fair market value of the Sioux Valley rail line. The Department of Transportation (the "Department") has had some conversations with D&I on a possible consultant who would provide an unbiased appraisal that would give the Department some information for determining if it is feasible to pursue any further discussion. They have talked to the firm, Fountainhead Advisors, who was the same company that completed the appraisal for the former cement plant property the State sold years ago.

The Department requested the Board to consider authorizing the Department to enter into an agreement to retain Fountainhead Advisors performance an evaluation or appraisal of the Sioux Valley rail line. The appraisal would not bind the Department to a value and at this time we are seeking background information only. The appraisal would include an analysis of some of the revenue information for the Sioux Valley rail line and would analyze different options such as the State continuing current ownership and maintaining the line at the current level, which would include revenue and cost analysis and risk-benefit discussion; the State retaining ownership with investment in capital improvements and upgrades including revenue and cost analysis; and exploring benefits of actually selling to a rail operator. D&I is willing to reimburse the Department for fifty percent (50%) of the appraisal cost which is anticipated to be \$25,000-\$50,000 making the Department's share between \$12,500-\$25,000.

A MOTION WAS MADE by Cotton and seconded by Burket to authorize the Department to enter into an agreement with Fountainhead Advisors to perform a going concern valuation appraisal of the Sioux Valley line, with D&I Railroad to reimburse the Department for fifty percent (50%) of the cost of the appraisal. All present voted aye by roll call vote. The motion carried.

Chair Quenzer briefed the Board on Dakota Southern Railway Company's activity with the MRC rail line.

A MOTION WAS MADE by Nelson to adjourn and seconded by Cotton.

With no other business to come before the Board, the meeting was adjourned at 11:22 a.m.