



AGENDA

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

April 10, 2012

9:00 a.m.

Executive Committee Room
James R. Mills Building
1255 Imperial Avenue, 10th Floor

San Diego & Arizona Eastern
Railway Company

A Nevada Nonprofit
Corporation

1255 Imperial Avenue,
Suite 1000
San Diego, CA 92101-7490
619.231.1466

BOARD OF DIRECTORS
Randy Perry, Chairman
Bob Jones
Paul Jablonski

OFFICERS
Paul Jablonski, President
Bob Jones, Secretary
Linda Musengo, Treasurer

GENERAL COUNSEL
Karen Landers

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least five working days prior to the meeting to ensure availability. Assistive Listening Devices (ALDs) are available from the Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

- | | <u>ACTION
RECOMMENDED</u> |
|---|-------------------------------|
| 1. <u>Approval of the Minutes of January 24, 2012</u>
Action would approve the SD&AE Railway Company Minutes of January 24, 2012. | Approve |
| 2. <u>Statement of Railway Finances (Linda Musengo)</u>
Action would receive a report for information. | Receive |
| 3. <u>Report on San Diego and Imperial Valley (SD&IV) Railroad Operations (Matt Domen)</u>
Action would receive a report for information. | Receive |
| 4. <u>Report on Pacific Southwest Railway Museum (Diana Hyatt)</u>
Action would receive a report for information. | Receive |
| 5. a. <u>Report on the Desert Line (Chas McHaffie)</u>
Action would receive a report for information. | Receive |
| b. <u>Assignment of Carrizo Gorge Railway, Inc. Operating Rights (Karen Landers)</u>
Action would authorize the SD&AE President to consent to Amendment No. 3 of the Carrizo Gorge Railway, Inc. (CZRY) 2002 Operating Agreement (MTDB Doc. No. S200-02-194) assigning CZRY's rights and obligations to Pacific Imperial Railroad (PIR). | Approve |
| 6. <u>Real Property Matters (Tim Allison) – No Report</u> | |
| 7. Board Member Communications | |
| 8. Public Comments | |
| 9. Next Meeting Date: July 17, 2012 | |
| 10. Adjournment | |

San Diego and Arizona Eastern Railway Company

April 10, 2012

Sign-in Sheet (VOLUNTARY)

Name	Company
1. Diana Hyatt	Pacific Southwest Railway Museum
2. Matt Pomer	SPV RR
3. John Hoegancier	BNSF Railway
4. Randy Perry	SEV RR
5. MICHAEL GARDINER	LAW OFFICES OF MICHAEL GARDINER
6. Steve Lemc	CZRY
7. RANDALL SPOLCH	CZRY
8.	
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MINUTES

BOARD OF DIRECTORS MEETING OF THE SAN DIEGO & ARIZONA EASTERN RAILWAY COMPANY

January 24, 2012

A meeting of the Board of Directors of the San Diego & Arizona Eastern (SD&AE) Railway Company, a Nevada corporation, was held at 1255 Imperial Avenue, Suite 1000, San Diego, California 92101, on January 24, 2012, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Randy Perry, Bob Jones, and Paul Jablonski. Also in attendance were:

MTS staff:	Karen Landers, Tom Tupta
SANDAG staff:	Pete d'Ablaing
Kimley-Horn:	Anthony Podegracz
SD&IV staff:	Matt Domen
Pacific Southwest Railway Museum:	Diana Hyatt
Carrizo Gorge Railway, Inc. (Carrizo):	Chas McHaffie, Sheila LeMire
Burlington Northern Santa Fe (BNSF):	John Hoegemeier
Tierra Madre Railway:	R. Mitchell Beauchamp
Public:	Lorraine Leighton, Bob Nickles

1. Approval of Minutes

Mr. Jablonski moved to approve the Minutes of the October 18, 2011, SD&AE Railway Board of Directors meeting. Mr. Jones seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Linda Musengo presented the financial statement for the 4th quarter of 2011 (attached to the agenda item).

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved.

3. Report on SD&IV Operations

Matt Domen presented the report of activities for the 4th quarter of 2011 (attached to the agenda item).

Action Taken

Mr. Jones moved to receive the report for information. Mr. Jablonski seconded the motion, and it was unanimously approved.

4. Report on Pacific Southwest Railway Museum Operations

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved

Presentation After the Action was Taken (Ms. Hyatt came in during Carrizo's report)

Diana Hyatt presented the 4th quarter of 2011 report (attached to the agenda item) after Carrizo Gorge's report on the Desert Line (No. 5 below). She stated that the Museum had its best quarter in a number of years. Ms. Hyatt informed the Board that February is Black History Month, and the Museum has one of the only Jim Crow restored cars in the United States. She said an invitation to that event on Saturday, February 25, 2012, will be forthcoming.

In response to Mr. Nickles comments (under No. 5 *Public Speaker*), Ms. Hyatt stated that Museum personnel are doing everything they can to assist with the grade-crossings at Highway 94. The Museum contracted with a signal inspector and also did repairs to the crossings. Museum personnel informed Ms. Hyatt that they are in operating condition, and—to her knowledge—the Federal Railroad Administration (FRA) inspections passed. Ms. Hyatt added that the Museum would be willing to hire an inspector on a monthly basis if Marc Langlais (Carrizo Gorge Railroad Police) is not available to inspect them.

Ms. Hyatt distributed an invitation for a community celebration hosted by the Museum and The Chefs de Cuisine (attached).

5. Report on the Desert Line

Chas McHaffie presented the 4th quarter of 2012 report (submitted at the meeting). Mr. Jablonski asked if the environmental issues have been resolved at Jacumba. Mr. McHaffie responded that he is pretty sure that they have been resolved, but he will verify it.

Public Speaker

- Bob Nickles: Mr. Nickles stated that he was performing the clerical and FRA reporting for Carrizo last year, but he is no longer employed in that capacity. Mr. Nickles was in the process of learning grade-crossing inspections and maintenance and was in contact with Gary Reedman and Scott Lewis of the FRA. Now that he no longer has that job, he is concerned about who will be responsible for conducting the grade-crossing inspections for FRA compliance. Mr. Nickles added that Carrizo has been issuing track warrants to run trains on the weekends, and he is also concerned that the warrants won't be filed.

Mr. McHaffie confirmed for Board members that Carrizo maintains a crossing inventory list for the FRA database, and he will make it available. Mr. Jones added that it is Carrizo's responsibility to be in compliance with FRA reporting requirements.

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved.

6. Real Property Matters**a. Summary of SD&AE Documents Issued Since October 18, 2011**

- **S200-12-503**: Right of Entry Permit to Kehoe Testing and Engineering to perform field investigations along the Orange and Blue Lines in support of the San Diego Association of Governments (SANDAG).
- **S200-12-508**: Right of Entry Permit to Sweetwater Authority to perform facilities maintenance.
- **S200-12-509**: Right of Entry Permit to SDG&E to perform utility relocation in San Ysidro.
- **S200-12-510**: Right of Entry Permit to JCMS Landscaping to perform slope stabilization near Hill Street in El Cajon.
- **S200-12-512**: Right of Entry Permit to Integrated Marine Services to construct improvements near Main Street in Chula Vista.
- **S200-12-513**: Right of Entry Permit to American Integrated Services to perform field investigations along the Orange and Blue Lines in support of SANDAG.
- **S200-12-514**: Right of Entry Permit to Project Design Consultants to perform field surveys along the Orange and Blue Lines in support of SANDAG.
- **S200-12-515**: Right of Entry Permit to Spectrum Geophysics to perform field investigations along the Orange and Blue Lines in support of SANDAG.
- **S200-12-516**: Construction and Maintenance Agreement to the City of Lemon Grove for the Promenade Project.

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved.

7. Status of SD&AE Main Line Track and San Ysidro Freight Yard Improvements Project

Mr. Jablonski introduced Pete d'Ablaing of SANDAG and Anthony Podegracz of Kimley-Horn. Mr. d'Ablaing and Mr. Podegracz gave a PowerPoint presentation (entitled *TCIF Funded South Line Freight Rail Projects*—attached) on the SD&AE Main Line Track and San Ysidro Freight Yard Improvements Projects. The Trade Corridor Improvement Fund (TCIF) Program is a \$2 billion state-wide project focusing on freight infrastructure improvements and increased capacity in the corridor. There are two separate construction projects—the San Ysidro Yard Expansion Project and the Main Line Improvement Project. Highlights included construction timelines and phases, project elements, expansions, and improvements. Construction is scheduled to begin in January 2013 and to be completed by December 2014.

Mr. Jones expressed support for the project and stated his appreciation for the cooperative efforts involved. He added that the new business model will help the community.

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Jones seconded the motion, and it was unanimously approved.

8. Old Business

None.

9. New Business

None.

10. Public Comments

None.

11. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on April 17, 2012.

12. Adjournment

The meeting was adjourned at 9:30 a.m.



President



General Counsel

JGardetto/
MINUTES-SDAE.1-24-12.doc

Attachments: Community Celebration Invitation Hosted by the Museum and The Chefs de Cuisine
Carrizo Gorge 4th Quarter Report
TCIF Funded South Line Freight Rail Projects - PowerPoint Presentation

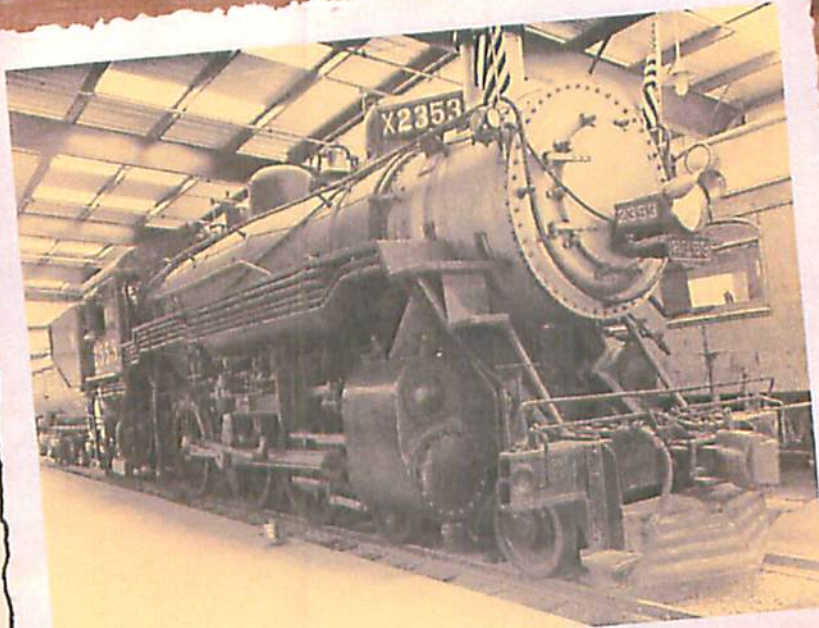


Photo by John Wright

COME AND ENJOY!

CHEFS FIRE UP THE

MARCH 24, 2012



12:00 - 5:00 PM

IRON HORSE

PRESENTED AT

THE CAMPO RAILROAD MUSEUM

The Chefs de Cuisine & The Campo RR Museum are celebrating over fifty years of service to the San Diego community together with The San Diego County Vintners Association

**GOURMET FOOD SAMPLING • WINE TASTING
BEER GARDEN • SILENT AUCTION • LIVE MUSIC**

(MUST BE OVER 21)

TICKETS \$25 PER PERSON | \$30 DAY OF EVENT
\$20 PER PERSON FOR GROUPS OF 12 OR MORE | TICKETS AT WWW.PSRM.ORG



GOURMET FOOD

Last years selection included...

Seafood Station

Sushi, Seafood Pasta, Ceviche
and much more

Bar-B-Que Station

With Grilled Gourmet Sausages,
Chili, Bar-B-Que Chicken

The "Iron Horse" Oven

Carved Roasted Pig,
and New York Strip Loin

Salads

Caesar Salad
Potato Salad with
Cherry Wood Smoked Bacon
Tropical Fruit Salad
Spring Caprice Salad

Dessert Station

Assorted Cookies
Brownies
Assorted Pies

BEVERAGES

Wine provided by the members of
**The San Diego County
Vintners Association**
www.sandiegowineries.org

Food prepared by
**Chefs de Cuisine
Association of San Diego**
www.sdchefsdecuisine.com

SPONSORS

**Caffé Calabria
Ballast Point Brewery**



TRAIN RIDES AVAILABLE

Train fares may be purchased when you place
your Iron Horse ticket order
or at the Campo Depot on the day of the event.





Periodic Report

To The San Diego & Arizona Eastern Railway Company

Fourth Quarter 2011

The periodic Report to the SD&AE Railway Company is produced quarterly by the Carrizo Gorge Railway, Inc for the SD&AE Board, in fulfillment of contractual requirements and to document activity in the restoration of the line to regional service along with its ongoing improvement for future generations.

CARRIZO GORGE RAILWAY, INC.

Accomplishments during Fourth Quarter 2011

CONTENTS

FOURTH QUARTER 2011 ACTIVITY

Appendix A- MOW Summary

Appendix B- Desert Line Freight Revenues

Financial Summary

CARRIZO GORGE RAILWAY, INC.

Fourth Quarter 2011

Metropolitan Transit Development Board
San Diego & Arizona Eastern Railway Board
1255 Imperial Avenue 10th floor
San Diego, California 92101

Pursuant to reporting agreement, here is the summary of Fourth Quarter activity for 2011.

I. Labor

As of December 31, 2011, Carrizo Gorge Railway has 6 employees to cover the railroad administration and operation in the U.S.

- 3 Administration
- 1 DSL & Engineer
- 1 Train Master & Locomotive engineer
- 1 Track Inspector & Signals

CARRIZO GORGE RAILWAY, INC.

II. Marketing

Carrizo Gorge Railway is currently not seeking any new business for the desert line until repairs can be completed

Carrizo Gorge Railway continued working to improve relations with Admicarga in an effort to increase revenues as well as the improvement of service to the shipping community in the region.

III. Desert Line

Carrizo Gorge Railway is the rail freight operator on the Desert Line by contractual agreement with Rail America/ SD&IV and with the approval of SD&AE/ MTDB.

IV. Reportable Injuries / Environmental Incidents

There were no reportable injuries in the Fourth quarter of 2011.

There were no reportable accidents in the Fourth quarter of 2011.

There were was on enviromental incidents in the Fourth quarter of 2011.

CARRIZO GORGE RAILWAY, INC.

V. Freight Activity

No freight activity in the 4th quarter of 2011 due to the embargo , we are still continuing to store empties, with a total amount of 52 GE cars located in the East end of the line as of this date.

MOW Sand carloads moved on the Desert Line	0
Revenue Sand carloads moved on the Desert Line	0
Revenue Freight carloads moved to/from Seeley Via interchange with UPRR, on the Desert Line	0
Non-Revenue Freight carloads moved from UPRR and USG, on the Desert Line	0
Revenue Freight carloads terminating/originating in Mexico to/from San Ysidro via interchange with SD&IV Railroad	0
Total overall fourth quarter 2011 Carloads Moved	0
Revenue Empties	0
Revenue Storage	52

CARRIZO GORGE RAILWAY, INC.

VI. Mexican Railroad

Carrizo Gorge Railway is the rail freight operator for the State of Baja California, Mexico and continues to employ the following personnel dedicated to freight service south of the border.

Here is an update of Carrizo Gorge Railway, Inc. Mexico's Operation.

CURRENT MEXICO PERSONNEL

1	Director of Operations
1	Supervisor of Operations
3	Dispatchers
3	Train Engineers
6	Conductors
1	Mechanic
1	Division Engineer
1	Track Inspector
1	Track Supervisor
8	Track laborer
2	Traffic

CARRIZO GORGE RAILWAY, INC.

Page 1 of 1
Appendix B
FINANCIAL SUMMARY

DESERT LINE

REVENUE FREIGHT HAULED

Railcar loads to/from UP Interchange, Seeley /Plaster City	0
Railcar loads revenue sand from Dixie (Plaster City) to Campo	0
Non-revenue Freight USG Cars	
Total	0

Track Use Fees:

Interchange freight to/from UPRR over the Desert Line

SD&AE / MTS 1% payment	71.76
SD&IV / Rail America payment 6.9 (52 Railcars Storage)	495.14

Revenue Sand from Dixie to Campo

SD&AE / MTS 1% payment	0.00
SD&IV RailAmerica payment(0cars at \$0.00 each)	0.00



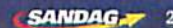
TCIF Funded. South Line Freight Rail Projects

Status Update: SD&AE Main Line
Track and San Ysidro Freight Yard
Improvements Projects

SD&AE Board of Directors
July 2, 2012

Trade Corridors Improvement Fund (TCIF) Program

- » \$2 Billion statewide
- » Focus on freight infrastructure improvements on high volume trade corridors
- » Construction must begin in 2013
- » CTC has approved project scope of work
- » Monitored by California Transportation Commission (CTC) and Caltrans Division of Rail (DOR)



2

South Line Freight Corridor Improvements

- » Increased Freight Capacity within corridor
 - › Doubles capacity - increase freight capacity from 10,000/year to 19,600/year (from 2 to 4 trains/day)
 - › Provide freight capacity to potentially eliminate up to 31,800 truck trips/year on regional facilities
- » Increase speed of freight traffic along corridor
- » Safety improvements through Signal upgrades
- » Potential for improved connectivity with Mexico
- » Leverages rail investments from private operators, TransNet, Port of San Diego, and Mexico
- » Also benefits MTS and Port of San Diego



SANDAG 3

South Line Freight Corridor Details

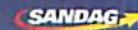
- » 2 Separate Construction Projects
 - San Ysidro Yard Expansion Project
 - › Cost:
 - \$25.9M from TCIF
 - \$40.5M total cost
 - › Status:
 - Environmental Documents Complete
 - Final Design and Right-of-Way Acquisition Underway
 - Construction Expected to Start Early 2013
 - Main Line Improvement Project
 - › Cost:
 - \$98.1M from TCIF for mainline improvements
 - \$107.3M total cost
 - › Status:
 - Environmental Document Complete
 - Broken into 4 Phases for Construction, 2 Phases in Construction

SANDAG 4

Mainline Improvement Project

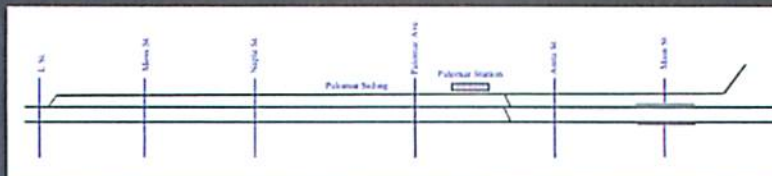
» Project Elements

- Signaling Improvements
 - Aerial Cable/Fiber Backbone
 - Positive Train Separation (if FRA requires)
 - Bi-Directional CTC
 - Bi-Directional Grade Crossing
- Palomar Siding Improvements
 - Siding Split North and South of Palomar St. Trolley Station
 - New Southern Connection
 - Freight Bridge Over Main Street
 - New turnouts and derails
- New Mainline Crossovers
 - Just South of San Diego Yard Entrance
 - North of L Street

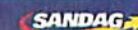


Mainline Improvement Project Status

» Palomar Siding: Existing Condition



» Palomar Siding: Future Configuration



Mainline Improvement Project Status

» Construction Phasing

- Broken into 4 Phases to Aid in project delivery and for Efficiency with concurrent Trolley Improvement Program
- Phase 1: Aerial Cable/Fiber Backbone
 - Under Construction
- Phase 2: Initial Signal & Track Improvements
 - Under Construction
- Phase 3: Palomar Siding Improvements
 - Concurrent with Palomar LRT Station reconstruction, Scheduled for Bid in March 2012
- Phase 4: Track, Signal and Grade Separation Improvements
 - In final design, Construction to commence at completion of Phase 3 & Blue Line Station Completion, Anticipated Construction Start: 3rd Quarter 2013



San Ysidro Freight Yard Expansion

» Project Elements

- Freight Track Improvements
 - › Storage Tracks
 - › Yard Lead Extension
- Grading & Drainage Improvements
- New Access Road & Circulation
- Now Paved Loading Areas
 - › Improved Potential for Transloading
- Right of Way Acquisition Required



San Ysidro Freight Yard Expansion

- » Environmental Documentation:
 - Complete
- Final Design:
 - Underway, Completion in June 2012
 - 65% Design Completed August 2011
 - 95% Design Due February 2012
- Right-of-Way Acquisition:
 - Underway, Completion in Nov. 2012
- Construction:
 - Begin – January 2013
 - Complete – December 2014



Conclusion

- » We will continue to work with MTS/SD&AE.
- » We will continue to monitor concurrent Trolley Improvement Projects.
- » Questions?
- » Contacts
 - Pete D'Ablaing (619-699-1906; pda@sandag.org)
 - Anthony Podegracz (619-744-0116; anthony.podegracz@kimley-horn.com)



Agenda Item No. 2

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

April 10, 2012

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Board of Directors receive a financial report for the quarter ended March 31, 2012.

Budget Impact

None.

DISCUSSION:

Attached are the financial results for the three quarters ended March 31, 2012, and 2011. The current year-to-date results show decreases of \$33,000 in right of entry revenue, a \$20,000 in lease income, and a \$38,000 decrease in SD&IV freight fee compared to the same period last year. These decreases are due to the timing of receipts from SD&IV, greatly reduced demand for right of entry permits, and delays in the calculation of lease income for the quarter. Expenses showed a \$14,000 positive variance due to reduced personnel cost and insurance premiums. The net loss for FY 12 through Q3 was \$16,122 compared to net income of \$61,115 in FY 11.

Attachment: SD&AE Operating Statement 3rd Quarter FY 12

SD&AE operating statement FY2012 and FY2011

	FY2012				FY2011			
	Q1	Q2	Q3	YTD	Q1	Q2	Q3	YTD
Revenue								
Right of entry permits	\$ 1,221	\$ 4,400	\$ 500	\$ 6,121	\$ 12,250	\$ 5,450	\$ 21,370	\$ 39,071
Lease income	19,155	20,836	10,251	50,242	22,072	28,845	19,340	70,257
SD&IV 1% freight fee	-	-	-	-	-	-	38,187	38,187
Total revenue	20,376	25,236	10,751	56,363	34,322	34,295	78,897	147,515
Expense								
Personnel costs	20,284	17,151	16,877	54,311	19,916	22,595	18,746	61,256
Outside services	-	-	-	-	-	260	-	260
Risk management	5,798	5,974	6,093	17,865	8,352	8,194	7,771	24,317
Misc operating expenses	309	-	-	309	303	194	70	567
Depreciation	-	-	-	-	-	-	-	-
Total expense	26,391	23,125	22,970	72,485	28,571	31,243	26,587	86,400
Net income/(loss)	\$ (6,015)	\$ 2,111	\$ (12,219)	\$ (16,122)	\$ 5,751	\$ 3,052	\$ 52,310	\$ 61,115

Reserve balance 2011 - actual	\$ 919,524
Allocated interest earnings - estimated	5,245
Operating profit (loss)	(16,122)
Improvement expense 2012	-
Reserve balance 2012- estimated	\$ 908,647

Agenda Item No. 3

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

April 10, 2012

SUBJECT:

REPORT ON SAN DIEGO AND IMPERIAL VALLEY (SD&IV) RAILROAD OPERATIONS

RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

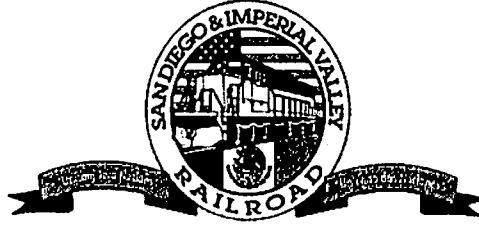
Budget Impact

None.

DISCUSSION:

An oral report will be given during the meeting.

Attachment: Periodic Report for the 1st Quarter of 2012



SD&AE Board
C/O MTS
1255 Imperial Avenue, Suite 1000
San Diego, California 92101

April 2, 2012

Periodic Report

In accordance with Section 20 of the Agreement for Operational Freight Service and Control through Management of the San Diego and Arizona Eastern Railway Company; activities of interest for the 1st Quarter of 2012 are listed as follows:

1. Labor

At the end of March 31, 2012 the San Diego & Imperial Railroad had 10 employees:

- 1 General Manager
- 1 Asst. General Manager
- 1 Asst. Trainmaster
- 1 Manager - Marketing & Sales
- 1 Office Manager
- 1 Mechanical Officer
- 1 Roadmaster
- 1 Maintenance of Way Employee
- 2 Train Service Employees

2. Marketing

Volume in the 1st Quarter was significantly impacted by border crossing issues of Texas Gas & Oil LPGS. LPG volume was down 71%. Overall, the volume dropped 46% over last year. Bridge traffic was down 49% over last year. Traffic destined or originated on the SDIV was down 431 to last year.

3. Reportable Injuries/Environmental

Days through year to date, March 31, 2012, there were no FRA Reportable injuries or environmental incidents on the SDIV Railroad.

Days FRA Reportable Injury Free: 4568

4. Summary of Freight

	2012	2011	2010
Total rail carloads that moved by SDIY Rail Service in the quarter.	757	1418	1501
Total railroad carloads Terminating/Originating Mexico in the quarter.	585	1168	1212
Total railroad carloads Terminating/Originating El Cajon, San Diego, National City, San Ysidro, California in the quarter.	172	250	289
Total customers directly served by SDIY in the quarter	10	11	12
Regional Truck trips that SDIY Railroad Service replaced in the quarter	2573	4821	5103

Respectfully,

Randy Perry-

General Manager

Agenda Item No. 4

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

April 10, 2012

SUBJECT:

REPORT ON PACIFIC SOUTHWEST RAILWAY MUSEUM

RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

A report will be presented during the meeting.

Attachment: First Quarter Report for 2012



Pacific Southwest Railway Museum

La Mesa Depot 4885 Hebo Drive La Mesa, CA 91841 619-485-7776

April 2, 2012

SD&AE Board
c/o Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

Re: First Quarter 2012

Dear SD&AE Board:

During the first quarter of 2012, the Pacific Southwest Railway Museum carried 3,001 passengers with no FRA reportable accidents or injuries. Total income from SD&AE property for first quarter 2012 was \$27,281.06; our check for \$545.62 is enclosed. By comparison, PSRM carried:

- 3,001 passengers during the first quarter of 2012
- 924 passengers during the first quarter of 2011
- 1,006 passengers during the first quarter of 2010
- 2,483 passengers during the first quarter of 2009
- 2,987 passengers during the first quarter of 2008

Since the fourth quarter of 2009, the museum has been unable to operate trips to Tecate, B.C., Mexico and that is evident by the decline in ridership for the first quarters of 2010 and 2011. We believe a minimum of two factors have come into play with a resultant increase in ridership: 410 Groupon tickets were redeemed during this quarter while the income from their purchase was attributed to fourth quarter 2011 and one day of Bunny Trains fell during this quarter.

A California Non-Profit, Public Benefit Corporation, IRS Tax # 95-2374478

Owners and operators of the Campo Railroad Museum,
San Diego & Arizona Railway and the La Mesa Depot Museum

A Federal Tax Exempt 501 (C) 3 California Non-Profit Corporation www.psrmm.org

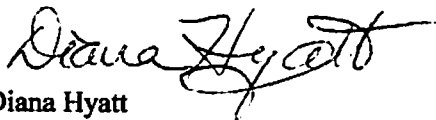
On Saturday, February 25, 2012 PSRM commemorated the completion of the ten year restoration project of its 1886 wooden passenger combine Rockdale, Sandow & Southern number 3, also known as a Jim Crow car. The occasion was celebrated with representatives from a number of organizations including the Vice President of the National Railroad Historical Society who traveled from Pennsylvania, representatives of the Black Storytellers of San Diego, Congress of History, Friends of Allensworth State Park, Los Angeles Railroad Heritage Foundation, Mountain Empire Historical Society, Navy League of San Diego, Railway & Locomotive Historical Society, San Diego African American Genealogy Research Group, and the San Diego Electric Railway Association. A proclamation was also unveiled from the San Diego County Board of Supervisors proclaiming February 25th to be Jim Crow car day. Ours is one of a handful of such cars remaining in the United States and is perhaps the only one that has been restored to its' Jim Crow car era. The Smithsonian National Museum of African American History and Culture recently acquired a steel bodied, un-restored Jim Crow car for their collection.

On Saturday, March 24, PSRM held its' second annual Chefs Fire Up the Iron Horse event on museum property with the San Diego Chefs de Cuisine and the San Diego County Vintners' Association. Security was provided by the Carrizo Gorge Railway Police. This event is an afternoon of wine tasting from local San Diego wineries, food pairing and musical entertainment. It was so successful, that the planning for a third annual event is now in progress.

PSRM made arrangements with a signal inspector currently employed with Transit America/Herzog to assume the monthly signal inspections and training of other signal inspectors for the purpose of complying with FRA regulations for the two grade crossings on Highway 94 in the Campo Valley. The monthly inspections for January, February and March have been performed on time and the quarterly inspection has been completed. PSRM now has two of its own members who are able to perform the monthly signal inspections.

During the first quarter of this year a proposal was sent to MTS personnel requesting permission to install a 36" drain pipe under the mainline just east of MP 66 in Campo. This drain is necessary because of the drainage issues that did not exist prior to the construction of the Campo Hills housing project. Not only does storm water runoff deluge the mainline at this location but there is continual water runoff from the Campo Hills water treatment facility onto the railroad right-of-way. PSRM has attempted to remedy some of the effects to no avail. PSRM has requested that MTS personnel visit the location in question for a visual inspection of the situation.

Very Truly Yours,



Diana Hyatt
President

Agenda Item No. 5a

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

April 10, 2012

SUBJECT:

REPORT ON THE DESERT LINE

RECOMMENDATION:

That the SD&AE Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

A report will be presented during the meeting.

Attachment: First Quarter of 2012



Periodic Report

To The San Diego & Arizona Eastern Railway Company

First Quarter 2012

The periodic Report to the SD&AE Railway Company is produced quarterly by the Carrizo Gorge Railway, Inc for the SD&AE Board, in fulfillment of contractual requirements and to document activity in the restoration of the line to regional service along with its ongoing improvement for future generations.

CARRIZO GORGE RAILWAY, INC.

Accomplishments during First Quarter 2012

CONTENTS

FIRST QUARTER 2012 ACTIVITY

Appendix A- MOW Summary

Appendix B- Desert Line Freight Revenues

Financial Summary

CARRIZO GORGE RAILWAY, INC.

First Quarter 2012

Metropolitan Transit Development Board
San Diego & Arizona Eastern Railway Board
1255 Imperial Avenue 10th floor
San Diego, California 92101

Pursuant to reporting agreement, here is the summary of First Quarter activity for 2012.

I. Labor

As of March 31, 2012, Carrizo Gorge Railway has 6 employees to cover the railroad administration and operation in the U.S.

- 3 Administration
- 1 DSL & Engineer
- 1 Train Master & Locomotive engineer
- 1 Track Inspector & Signals

II. Marketing

Carrizo Gorge Railway is currently not seeking any new business for the desert line until repairs can be completed

Carrizo Gorge Railway continued working to improve relations with Admicarga in an effort to increase revenues as well as the improvement of service to the shipping community in the region.

III. Desert Line

Carrizo Gorge Railway is the rail freight operator on the Desert Line by contractual agreement with Rail America/ SD&IV and with the approval of SD&AE/ MTDB.

CARRIZO GORGE RAILWAY, INC.

IV. Reportable Injuries / Environmental Incidents

There were no reportable injuries in the First quarter of 2012.

There were no reportable accidents in the First quarter of 2012.

There were was on enviromental incidents in the First quarter of 2012.

V. Freight Activity

No freight activity in the 1st quarter of 2012 due to the embargo , we are still continuing to store empties, with a total amount of 52 GE cars located in the East end of the line as of this date.

MOW Sand carloads moved on the Desert Line	0
Revenue Sand carloads moved on the Desert Line	0
Revenue Freight carloads moved to/from Seeley Via interchange with UPRR, on the Desert Line	0
Non-Revenue Freight carloads moved from UPRR and USG, on the Desert Line	0
Revenue Freight carloads terminating/originating in Mexico to/from San Ysidro via interchange with SD&IV Railroad	0
Total overall fourth quarter 2011 Carloads Moved	0
Revenue Empties	0
Revenue Storage	52

CARRIZO GORGE RAILWAY, INC.

VI. Mexican Railroad

Carrizo Gorge Railway is the rail freight operator for the State of Baja California, Mexico and continues to employ the following personnel dedicated to freight service south of the border.

Here is an update of Carrizo Gorge Railway, Inc. Mexico's Operation.

CURRENT MEXICO PERSONNEL

- 1 Director of Operations
- 1 Supervisor of Operations
- 3 Dispatchers
- 3 Train Engineers
- 6 Conductors
- 1 Mechanic
- 1 Division Engineer
- 1 Track Inspector
- 1 Track Supervisor
- 8 Track laborer
- 2 Traffic

REVISED

CARRIZO GORGE RAILWAY, INC.

VI. Mexican Railroad

Carrizo Gorge Railway is in negotiations with the State of Baja California, Mexico. Here is an update of Carrizo Gorge Railway, Inc. Mexico's Operation.

CURRENT MEXICO PERSONNEL

5 Trust Employees

~~Carrizo Gorge Railway is the rail freight operator for the State of Baja California, Mexico and continues to employ the following personnel dedicated to freight service south of the border.~~

~~Here is an update of Carrizo Gorge Railway, Inc. Mexico's Operation.~~

~~CURRENT MEXICO PERSONNEL~~

~~1 Director of Operations
1 Supervisor of Operations
3 Dispatchers
3 Train Engineers
6 Conductors
1 Mechanic
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1 Track Inspector
1 Track Supervisor
8 Track laborer
2 Traffic~~

CARRIZO GORGE RAILWAY, INC.

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Appendix A M.O.W. SUMMARY

DESERT LINE

TRACK

Ties Installed (6" x 8" x 8')	0	each
(7" x 9" x 9")	0	each
Stringers	0	each
90 lb/yd Rail Change Out	0	ft.
113 lb. rail Change Out	0	ft.
Repair Open Joints	0	each
Track Regaging	0	each
Separator Rails (4" x 8" x 20")	0	each
Replace Missing Track Bolts	0	each
Rail Anchors Replaces	0	each
Repair Broken angle bars (60 lb.)	0	each
(75 lb.)	0	each
(90 lb.)	0	each
Track Surfaced	0	ft
Track Spikes Used (new)	0	each
Switch Ties Installed	0	each

CARRIZO GORGE RAILWAY, INC.

Page 1 of 1
Appendix B
FINANCIAL SUMMARY

DESERT LINE

REVENUE FREIGHT HAULED

Railcar loads to/from UP Interchange, Seeley /Plaster City	0
Railcar loads revenue sand from Dixie (Plaster City) to Campo	0
Non-revenue Freight USG Cars	
Total	0

Track Use Fees:

Interchange freight to/from UPRR over the Desert Line

SD&AE / MTS 1% payment	71.76
SD&IV / Rail America payment 6.9 (52 Railcars Storage)	495.14

Revenue Sand from Dixie to Campo

SD&AE / MTS 1% payment	0.00
SD&IV RailAmerica payment(0cars at \$0.00 each)	0.00

Agenda Item No. 5b

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

April 10, 2012

SUBJECT:

ASSIGNMENT OF CARRIZO GORGE RAILWAY, INC. OPERATING RIGHTS

RECOMMENDATION:

That the SD&AE Board of Directors authorize the SD&AE President to consent to Amendment No. 3 (attached on page 5-3) of the Carrizo Gorge Railway, Inc. (CZRY) 2002 Operating Agreement (MTDB Doc. No. S200-02-194) assigning CZRY's rights and obligations to Pacific Imperial Railroad, Inc. (PIR).

Budget Impact

None.

DISCUSSION:

In 1984, SD&AE and MTS entered into an operating agreement for SD&AE's freight railroad assets with San Diego & Imperial Valley Railway Company (SD&IV) ("1984 Operating Agreement"). The 1984 Operating Agreement gives SD&IV the exclusive right to operate freight on the SD&AE right-of-way, including the portion called the "Desert Line." The 1984 Operating Agreement includes 5 ten-year terms through March 8, 2034. SD&IV has the right to unilaterally exercise each option year.

In 2002, SD&AE and MTS consented to an assignment by SD&IV to CZRY of its rights to operate the Desert Line ("CZRY Operating Agreement"). The term of the CZRY Operating Agreement coincides with the 1984 Operating Agreement but is subject to SD&IV's reasonable discretion to extend the CZRY Operating Agreement for each new ten-year term. The current term for each agreement ends on March 8, 2014.

Through a series of loans, assignments, and other agreements between CZRY, its shareholders, and creditors, CZRY has assigned its rights under the CZRY Operating Agreement to PIR:

- a. January 5, 2011, Assignment, Assumption, and Settlement Agreement between CZRY, Pacific Imperial Holdings, LLC (PIH), Pacific Imperial Industries, LLC (PII), and Sheila Lemire. (Transfer of operating and trackage rights to PII).

- b. November 1, 2011, Assignment Agreement between PII and PIR. (Transfer of operating and trackage rights to PIR.)
- c. January 7, 2012, Amendment No. 3 to CZRY Operating Agreement (formally assigning CZRY Operating Agreement to PIR) SD&IV, SD&AE, and MTS consent required (see proposed action).

Pursuant to a November 10, 2011, "Interim Operating Agreement" between PIR and CZRY, CZRY continues to operate on the Desert Line, under the supervision of PIR and subject to PIR's discretion. PIR now requests that SD&AE and MTS acknowledge and consent to the assignment of the CZRY Operating Agreement to PIR (see attachment on page 5-3).

Attachment: January 7, 2012, Amendment No. 3 to CZRY Operating Agreement (pg. 5-3)

AMENDMENT NO. 3

This Amendment No. 3 is entered into as of the 7th day of January, 2012 by and between San Diego and Imperial Valley Railroad Company, Inc. (SDIY), Carrizo Gorge Railway, Inc. (CZRY), Pacific Imperial Railroad, Inc. (PIR), Metropolitan Transit System (MTS), and San Diego and Arizona Eastern Railway Company (SD&AE);

WHEREAS, by virtue of Carrizo Gorge Railway, Inc. Operating Rights Agreement Over Desert Line, dated March 1, 2002, among SDIY, CZRY, SD&AE, and Metropolitan Transit Development Board (MTDB), as amended (2002 Operating Agreement), CZRY was authorized by MTDB, SD&AE, and SDIY to operate over a rail line between Milepost 59.6 at the border between the United States and Mexico near Division, CA and Milepost 130.0 at or near Plaster City, CA, which is commonly known as the Desert Line; and

WHEREAS, by decision of the Surface Transportation Board (STB) in its Finance Docket No. 34485, *Carrizo Gorge Railway, Inc. – Operation Exemption – San Diego and Arizona Eastern Railway Company*, served April 12, 2004, CZRY was authorized by the STB to operate the Desert Line; and

WHEREAS, by virtue of an Amendment No. 1 executed on August 1, 2002, among SDIY, CZRY, MTDB, and SD&AE, Section 8(c) of the 2002 Operating Agreement was amended in regard to insurance requirements; and

WHEREAS, by virtue of Amendment No. 2 entered into on August 23, 2003, among SDIY, CZRY, MTDB, and SD&AE, the 2002 Operating Agreement was further amended to extend the term of the Agreement and to modify terms relating to payment of fees; and

WHEREAS, MTDB has been succeeded by Metropolitan Transit System (MTS); and

WHEREAS, CZRY desires to assign its rights and obligations under the 2002 Operating

Agreement to Pacific Imperial Railroad, Inc. (PIR); and

WHEREAS, PIR is willing to assume all of CZRY's rights and obligations under the 2002 Operating Agreement; and

WHEREAS, by virtue of Section 10 of the 2002 Operating Agreement, CZRY's rights under that Agreement cannot be assigned without the written consent of SDIY, MTDB (now MTS) and SD&AE; and

WHEREAS, SDIY, MTS, and SD&AE are willing to consent to an assignment by CZRY of its rights and obligations under the 2002 Operating Agreement to PIR; and

WHEREAS, PIR has agreed that within a reasonable time after execution of this Amendment No. 3, PIR will file a Notice of Exemption at the STB for PIR's acquisition from CZRY of authority to operate the Desert Line by virtue of this Amendment No. 3;

NOW, THEREFORE, the undersigned parties agree as follows:

1. CZRY hereby assigns its rights and obligations under the 2002 Operating Agreement to PIR; and
2. PIR hereby assumes CZRY's rights and obligations under the 2002 Operating Agreement; and
3. SDIY, MTS, and SD&AE hereby consent to the assignment of CZRY's rights and obligations under the 2002 Operating Agreement to PIR, and to the assumption of such rights and obligations by PIR; and
4. PIR hereby agrees that within a reasonable time after execution of this Amendment No. 3, it will file a Notice of Exemption at the STB for its acquisition from CZRY of authority to operate the Desert Line by virtue of this Amendment No.3;

WHEREFORE, authorized representatives of the parties have signed this Amendment No. 3 as of the date stated in the foregoing.

CARRIZO GORGE RAILWAY, INC.

by: [Signature]
Its Authorized Representative

printed name: Wright Jarey

PACIFIC IMPERIAL RAILROAD, INC.

by: [Signature]
Its Authorized Representative

printed name: _____

CONSENTED TO BY:

SAN DIEGO & IMPERIAL VALLEY RAILROAD COMPANY, INC.

by: _____
Its Authorized Representative

printed name: _____

METROPOLITAN TRANSIT SERVICE

by: _____
Its Authorized Representative

printed name: _____

SAN DIEGO & ARIZONA EASTERN RAILWAY COMPANY

by: _____
Its Authorized Representative

printed name: _____

Agenda Item No. 6

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

April 10, 2012

SUBJECT:

REAL PROPERTY MATTERS

No report.