

MINUTES

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

January 19, 2010

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 19, 2010, at 9:00 a.m.

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

MTS staff:	Tiffany Lorenzen, Tim Allison, Wayne Terry
SD&IV staff:	Matt Domen
Pacific Southwest Railway Museum:	Diana Hyatt
Carrizo Gorge Railway, Inc. (Carrizo):	Chas McHaffie, Armando Freire
Tierra Madre Railway:	R. Mitchell Beauchamp
Burlington Northern Santa Fe (BNSF):	John Hoegemeier
International Border Rail Institute:	Richard Borstadt
San Diego & Midwestern Railway Partners LLC:	Ed Kravitz
Other	Bob Rechs

1. Approval of Minutes

Mr. Jablonski moved to approve the Minutes of the November 3, 2009, SD&AE Railway Board of Directors meeting. Mr. Jones seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

The Financial Statement for the 4th quarter of 2009 was attached to the agenda item. (Linda Musengo was not present at the meeting.)

Action Taken

Mr. Jones moved to receive the report for information without the staff report. Mr. Jablonski seconded the motion, and it was unanimously approved.

3. Report on SD&IV Operations

Matt Domen presented the Periodic Report of the SD&AE Railway Company for activities for the 4th quarter of 2009 (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.

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt presented the 4th quarter report for the calendar year (attached to the agenda item). Tiffany Lorenzen requested copies of the FRA report and stated that those reports are due to the Board within 48 hours of receiving them.

Board members discussed the Simon Wong bridge inspection letter and the Museum's request to resume passenger operations over the bridge at mile post 66.77. It was agreed that only rail buses should operate, and any breach of that clause would result in default of the operating

agreement. The Board also agreed that semiannual inspections must be conducted to ensure that the status of the line is acceptable.

Ms. Hyatt agreed to forward a new letter from Mark Creveling, Engineer with Simon Wong, to Ms. Lorenzen showing that his engineering stamp is current (the last letter showed that Mr. Creveling's stamp had expired in December).

Action Taken

Mr. Jablonski moved to: (1) receive the quarterly report for information; and (2) allow the Museum to open the bridge at milepost 66.77 for rail bus passenger service operations only with semiannual inspections due in July and January. Mr. Jones seconded the motion, and it was unanimously approved.

5. Report on the Desert Line

Armando Freire reviewed the report for the 4th quarter of 2009. Mr. Freire described the damage from the fire in Tunnel 3 in Mexico.

Public Speaker

- Rich Borstadt – Mr. Borstadt reported that the Three Kings train to Tecate was a success and noted that Margaret Coval was the primary organizer. Mr. Borstadt discussed the tunnel closure and embargo expiration in a few months. He also reported that Senator Mills is in the hospital.

Action Taken

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

6. Real Property Matters

a. Summary of SD&AE Documents Issued Since November 3, 2009

- S200-10-422: Right of Entry Permit to Bock Company for an underground electrical installation at 28th Street in San Diego.
- S200-10-429: Right of Entry Permit to Ayala Boring, Inc. for an underground electrical installation at 28th Street in San Diego.
- S200-10-433: Right of Entry Permit to West Tech Contracting to construct the Olay Valley Regional Park Trail in the City of San Diego north of the Palm Avenue Station.
- S200-10-434: Lease with Clear Channel Outdoor for a billboard at Sigsbee in the City of San Diego.
- S200-10-435: Lease with Clear Channel Outdoor for a billboard at 22nd Street in the City of National City.
- S200-10-436: Lease with Clear Channel Outdoor for a billboard at 8th Street in National City.

Action Taken

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

b. Request for a Public At-Grade Crossing at H Street on the Coronado Branch in the City of Chula Vista

Tim Allison reviewed a request by the Port of San Diego for a public at-grade crossing at H Street. Mr. Allison stated that no record of a public crossing has been found and that the only record is a license for a private crossing issued to Rohr. Mr. Allison explained that H Street terminates east of SD&AE's tracks on the west side of Interstate 5. The Port of San Diego wants to extend H Street and has asked for permission to pave over or remove the tracks and enter into a deferred improvement agreement if and when rails are needed on that track. Mr. Allison added that the easement would be appraised at fair market value.

Mr. Allison expressed concern that the current crossing could not handle adding any additional traffic. He recommended either requiring a full reconstruction of the crossing or allowing the Port of San Diego to pave over or remove the tracks.

Board members discussed the liability and agreed that there should be a stipulation that the Port of San Diego would be responsible for the cost to ensure that an appropriate crossing is installed. It was also agreed that a provision should be included that the Port of San Diego would restore the rail at SD&AE's discretion.

Ms. Lorenzen suggested requiring the Port of San Diego to maintain a capital improvement fund in its budget in perpetuity until such time that it becomes necessary to reinstall the crossing at the Board's discretion. Discussion ensued regarding construction time lines, cost estimates, and PUC requirements.

Public Speaker

- Ed Kravitz – Mr. Kravitz commented that he has been coming to the SD&AE Board for 11 years regarding the Coronado Belt Line. He gave a history of his efforts to help to preserve the line and added that his interest is sharing the railroad right-of-way with the bike trail. He expressed displeasure due to unsuccessful attempts to preserve the line and feels that there is fraud and criminal intent in destroying it because development is more important.

Action Taken

Mr. Jablonski moved to approve a new at-grade crossing of the Coronado Branch at H Street in the City of Chula Vista with the following stipulations:

1. Staff will prepare an agreement to include liability provisions.
2. The Port of San Diego will maintain a capital improvement fund in perpetuity in the event that the crossing needs to be reconstructed at a future date at the Board's discretion (whether or not service will be implemented).
3. The Port of San Diego will be the lead agency responsible for all environmental requirements.

Mr. Jones seconded the motion, and it was unanimously approved.

- c. CLOSED SESSION – CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54956.8
Property: Various locations in the cities of San Diego, National City, and Chula Vista
Agency Negotiators: Tiffany Lorenzen and Tim Allison
Negotiating Parties: Billboard Property Group
Under Negotiation: Price and Terms of Compensation

Oral Report of Final Actions Taken in Closed Session

The Board received a report and gave direction to agency negotiators. (This item was taken out of order at the end of the meeting after Agenda Item No. 10.)

7. Old Business

No old business.

8. New Business

No new business.

9. Public Comments

No public comments.


10. Next Meeting Date

The next meeting of the SD&AE Board of Directors is on April 20, 2010.

11. Adjournment

The meeting was adjourned at 10:00 a.m.



President

Of Counsel

JGardetto/
SDAE Minutes 1-19-10.doc