

MINUTES

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

April 20, 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 April 20, 2010, at 9:02 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, and Linda Musengo
SANDAG staff:	Dean Hiatt
SD&IV staff:	Matt Domen
Pacific Southwest Railway Museum (PSRM):	Diana Hyatt
Carrizo Gorge Railway, Inc. (Carrizo):	Armando Freire
Burlington Northern Santa Fe (BNSF):	John Hoegemeier
International Border Rail Institute:	Richard Borstadt

1. Approval of Minutes

Diana Hyatt stated that Bob Rechs is not affiliated with PSRM (as listed on the minutes).

Mr. Jablonski moved to approve the Minutes of the January 19, 2010, SD&AE Railway Board of Directors meeting with a correction noting that Mr. Rechs is not affiliated with PSRM. Mr. Jones seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Linda Musengo reviewed the financial statement attached to the agenda item. Ms. Musengo noted that the 1% freight fee was received from RailAmerica.

Action Taken

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

3. Report on San Diego and Imperial Valley (SD&IV) Railroad Operations

Matt Domen presented the first quarter report of SD&IV Railroad operations (attached to the agenda item).

Action Taken

Mr. Seil 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

Diana Hyatt presented the first quarter report for the calendar year (attached to the agenda item). Ms. Hyatt distributed a handout showing pictures of the Campo Depot restoration.

Action Taken

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

5. Report on the Desert Line

Armando Freire reviewed the report attached to the agenda item. He described Carrizo's cleanup efforts in regard to weed and rock abatement due to six rock slides throughout the Gorge. He added that there was no structural damage to the tunnels from the earthquakes and heavy rains. Mr. Freire stated that he had a meeting with the administrator on the Desert Line in the south and was unofficially informed that they were not going to do anything with Tunnel 3, which was badly burned during a fire last December (possibly due to fireworks). (He clarified that Tunnel 3 is the second tunnel into Mexico and is not an SD&AE tunnel.)

Mr. Freire reported that the plan for the rehab of the Desert Line will be published this summer, and Tunnel 3 will be included in that rehabilitation. He stated that the administrator from the south said they are open to diverting the line around Tunnel 3 to reopen it for freight operations, which would create a lot of problems for Carrizo. Mr. Freire clarified that the rehab of the Desert Line will be put out for bid this summer and estimated that it will take two years to complete. He added that the damage to Tunnel 3 is prohibiting Carrizo from carrying freight between the U.S. and Mexico.

Mr. Freire informed Board members that there is a locked metal gate at Tunnel 4, but he does not know who approved the installation.

- Public Speaker

Richard Borstadt – Mr. Borstadt stated that there is now a gate across Tunnel 4, which infringes on SD&AE right-of-way. He added that there has been no mention in the Board minutes regarding contemplating installation of this gate and feels that, as owners of the line, it would behoove SD&AE to take some action. Mr. Borstadt didn't anticipate the SD&AE Board going against the Border Patrol but felt it should officially document the implant of the gate; i.e., who is paying for it, etc.

Ms. Hyatt added that the installation of the gate came without warning to the Museum, and there may be a Public Utilities Code (PUC) issue because it is so close to the trestle. Ms. Hyatt clarified that the gate is about 75 feet east of tunnel and 12 feet west of the end of trestle on the U.S. side of the border. She stated that they contacted Mark Langlais of the Carrizo Gorge Railway Police, and he responded that Carrizo installed the gate to placate the Border Patrol.

Mr. Freire responded that he was aware that the Border Patrol had requested the gate to deal with drug trafficking, but that he never signed off or gave clearance to install it. He explained that this is the first time that he has heard of the new gate, and he will speak with Mr. Langlais regarding this matter.

Ms. Lorenzen asked Mr. Freire to contact Tim Allison to sign a permit. Mr. Allison added that it was reported to him that the gate was Carrizo's, so no action was needed. He clarified that the Border Patrol had no authority to install the gate.

Action Taken

Mr. Seil 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 January 19, 2010

- S200-10-424: License to SES Solar Two LLC for a private crossing of the Desert Line west of Plaster City.
- S200-10-431: License to Cox Communications for an aerial fiber crossing at Palm Avenue in the City of El Cajon.
- S200-10-432: Easement to the City of San Diego for a sewer crossing at 54th Street in the City of San Diego.
- S200-10-437: Right of Entry Permit to Nolte Associates, Inc. to perform land surveying at the 47th Street Trolley Station in the City of San Diego.
- S200-10-438: Right of Entry Permit to Melchior Land Surveying to perform land surveying at the San Ysidro Yard in the City of San Diego.
- S200-10-439: Easement to Helix Water District for a fire hydrant installation at the Grossmont Trolley Station in the City of La Mesa.
- S200-10-440: Right of Entry Permit to Roel Construction Company for building construction at 15th Street and Commercial Street in the City of San Diego.
- S200-10-441: License to the Motor Transport Museum for use of railroad property east of Campo in the County of San Diego.
- S200-10-442: Right of Entry Permit to Kimley-Horn & Associates, Inc. to perform engineering investigations at the San Ysidro Yard in the City of San Diego.
- S200-10-443: Right of Entry Permit to Aguirre & Associates to perform land surveying at the San Ysidro Yard in the City of San Diego.

Action Taken

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

b. Bayshore Bikeway Project – Segment North of the Salt Works

Mr. Allison stated that SANDAG has requested modifications to the alignment of the Bayshore Bikeway. Mr. Allison explained that the SD&AE and MTS Boards previously approved three crossings on SD&AE right-of-way south of J Street to bring the bikeway along the west side of SD&AE tracks through private property. During the design process, SANDAG staff found that route to be problematic and is requesting an alternative that crosses SD&AE tracks at the north intersection of J Street and connect to Bay Boulevard south of L Street.

Mr. Allison reviewed Attachment 6b-3 to the agenda item and clarified that SANDAG's proposal would include one crossing instead of three as previously approved. He showed the proposed route and explained that it would be better for the railroad as both bicycles and freight could operate in the corridor. Mr. Jones added that it would also be safer.

Mr. Allison clarified for Mr. Jablonski that the agreement would contain a termination clause and that the project will be built by SANDAG, operated by the City of Chula Vista, and indemnified with SD&AE.

Action Taken

Mr. Seil moved to receive a report on Segments 7 and 8A of the Bayshore Bikeway Project and approve the revised alignment. Mr. Jones seconded the motion, and it was unanimously approved.

c. Request for Easements – SDG&E's Sunrise Powerlink Project

Mr. Allison reported that San Diego Gas and Electric (SDG&E) is requesting an easement for three crossings for the Sunrise Powerlink Project, which is a major transmission line from the desert through San Diego County. The crossings on SD&AE right-of-way would include Jacumba, Sugar Loaf, and Plaster City. He explained that the crossings would be aerial transmission power lines only (200-foot high), and SDG&E is requesting an easement even though it has the option of right of eminent domain. Mr. Allison informed Board members that SDG&E had an appraisal completed, and the total for all three locations was \$9,000. Mr. Allison reviewed the logistics of the three crossings in regard to SD&AE right-of-way.

Mr. Jones asked if SD&AE would charge any fees, and Mr. Jablonski asked about the ability to collect annual payments. Mr. Allison responded that the land valuation is very nominal, and SDG&E would pay \$9,000 for easements. He stated that SDG&E has the right to power of eminent domain, but it only needs the easement to satisfy the PUC. He added that it would be a permanent easement, and that the negotiated language would allow for railroad purposes.

Mr. Allison clarified for Mr. Jablonski that SDG&E would not be traversing SD&AE's tracks as it is only asking for aerial crossings.

Ms. Lorenzen clarified for Mr. Jones that SD&AE would not lose the ability to control the land. Mr. Allison added that the land valuation is \$2 per acre based on air rights only, which would allow SD&AE operations to continue. Mr. Allison explained that the valuation is different based on location; i.e. rights at Jacumba (more than \$2,500 each) would be more expensive than rights in the valley (less than \$2,500 each).

Mr. Jablonski stated concern regarding relinquishing control of SD&AE right-of-way in the event that there could be future proposals to develop the property. He added that SD&AE owns that property outright and, if it becomes economically viable, could have development there in the future.

Mr. Allison reiterated that SDG&E has the option for eminent domain. He stated that it has been challenged in the past and has prevailed, and that the amount proposed for the easements is a good deal. Ms. Lorenzen added that amount proposed is based on the value of the land relative to its use—not the acquisition value.

Mr. Jablonski expressed concern that the value of the land may be underestimated, and future financial opportunities could be lost. Mr. Jones agreed with Mr. Jablonski and added that SD&AE's investments should be protected.

Mr. Jablonski proposed that staff confer with SDG&E in regard to revising the easement agreement to add a stipulation that would allow SD&AE future development rights along the proposed area. Mr. Allison will contact SDG&E to request the revision and report back at the next meeting.

Action Taken

Mr. Jablonski moved to approve easements for the proposed Sunrise Powerlink Project crossing the Desert Line at Jacumba, Ocotillo, and Plaster City contingent upon staff requesting SDG&E's authorization to revise the agreement to allow SD&AE future development rights along its right-of-way. Staff will return with a report at next meeting. Mr. Seil seconded, and the motion was unanimously approved.

7. Old Business

There was no old business.

8. New Business

There was no new business.

9. Public Comments

There were no additional public comments.

10. Next Meeting Date

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

11. Adjournment

The meeting was adjourned at 9:55 a.m.



President



Of Counsel