

# MINUTES

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

October 18, 2011

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 October 18, 2011, at 9:02 a.m.

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

MTS staff:

SD&IV staff:

Pacific Southwest Railway Museum:

Carrizo Gorge Railway, Inc. (Carrizo):

International Border Rail Institute:

ADMICARGA

Tim Allison, Karen Landers, Wayne Terry,  
and Linda Musengo

Matt Domen

Diana Hyatt

Chas McHaffie

Richard Borstadt

Jorge O. Monraz

### 1. Approval of Minutes

Mr. Jablonski moved to approve the Minutes of the July 19, 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 submitted the financial statement for the third 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 third quarter of 2011 (attached to the agenda item).

Mr. Jablonski asked if the traffic for gas importation has increased. Mr. Domen responded that it has increased a little. He added that North Star Gas has been authorized to import more gas by rail. Mr. Domen also reported that Texas Gas will be allowed to ship gas into Mexico.

Mr. Jones added that so far, North Star Gas has been very good to work with and forthcoming in all transactions.

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 third quarter of 2011 report (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.

5. Report on the Desert Line

Chas McHaffie presented the third quarter of 2011 report (attached to the agenda item). Mr. McHaffie added that the Disney movie *The Lone Ranger* is on schedule to begin production in the first quarter of 2012 (filming around Carrizo Gorge).

Mr. Jablonski asked about any ongoing concerns with the fire department. Ms. Hyatt responded that recently there was an informal inspection that didn't produce any issues.

Action Taken

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

6. Real Property Mattersa. Summary of SD&AE Documents Issued Since July 19, 2011

Tim Allison, MTS Manager of Real Estate Assets, presented the summary of documents issued since July 19, 2011. Mr. Jablonski asked about his request at the last meeting for an update on the San Ysidro Yard Project. Mr. Allison responded that SANDAG staff members assigned to the project are on vacation but will attend the meeting in January to give an update.

Action Taken

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

b. The City of Lemon Grove Main Street Promenade Project

Tim Allison introduced Barbara Kraber of the City of Lemon Grove. Mr. Allison stated that the Lemon Grove Main Street Promenade Project was presented to the Board earlier this year. Mr. Allison reviewed the background of the project and the request before the Board to approve a Construction and Maintenance Agreement to cover SD&AE right-of-way indemnification and insurance.

Ms. Landers informed the Board that the City of Lemon Grove has requested lower insurance limits, but she has not had a chance to review it yet. Mr. Jablonski stated that he is not concerned that this will be worked out and reminded everyone that work on the Orange Line will progress quickly.

Mr. Allison and Ms. Kraber gave a presentation on the project using a design visual.

Action Taken

Mr. Jablonski moved to approve a Construction and Maintenance Agreement for the City of Lemon Grove's Main Street Promenade Project with flexibility to adjust the insurance and indemnification requirement levels upon General Counsel's review. Mr. Jones seconded the motion, and it was unanimously approved.

c. Civic Center Drive Crossing Improvements

Mr. Allison gave a brief presentation on the Civic Center Drive Crossing Improvement Project. He explained the California Department of Transportation's (Caltrans') proposed operational improvements to restripe and signalize the intersection at Civic Center Drive and Wilson Avenue to increase capacity supporting interregional goods movement.

Mr. Allison explained that the California Public Utilities Code (CPUC) requires approval of the project and application for crossing modifications.

Mr. Jablonski voiced concern regarding traffic backups at that intersection if the project is completed. Mr. Allison responded that traffic flow has been incorporated into the project and would not be an issue.

Action Taken

Mr. Jablonski moved to approve support for the Civic Center Drive Crossing Improvement Project CPUC application for crossing modifications. Mr. Jones seconded the motion, and it was unanimously approved.

7. Approval of the 2012 SD&AE Board of Directors Meeting Schedule

Karen Landers noted that the following meeting schedule is recommended for 2012:

Tuesday, January 17, 2012	9:00 a.m.	(Fourth Quarter 2012 Reports)
Tuesday, April 17, 2012	9:00 a.m.	(First Quarter 2012 Reports)
Tuesday, July 17, 2012	9:00 a.m.	(Second Quarter 2012 Reports)
Tuesday, October 16, 2012	9:00 a.m.	(Third Quarter 2012 Reports)

Upon approval of the above meeting dates, additional information regarding materials due dates and mail-outs are as follows:

Materials Due to Clerk

Friday, January 6, 2012  
Friday, April 6, 2012  
Friday, July 6, 2012  
Friday, October 5, 2012

Materials Mailed

Wednesday, January 11, 2012  
Wednesday, April 11, 2012  
Wednesday, July 11, 2012  
Wednesday, October 10, 2012

Action Taken

Mr. Jablonski moved to approve the SD&AE meeting schedule for 2012 as presented.  
Mr. Jones seconded the motion, and it was unanimously approved.

8. Old Business

No old business.

9. New Business

No new business.

10. Public Comments

*Jorge O. Monraz* – Mr. Monraz of ADMICARGA requested clearance to provide rail service to Toyota to move its new automobiles from Baja to San Diego via Tijuana (the autos would be trucked into San Diego).

Wayne Terry stated that overhead catenary clearance would be an issue with the Public Utilities Code (PUC) and the Federal Railroad Administration (FRA). Mr. Terry added that MTS has current as-builts, but an evaluation could be conducted to get the exact data on clearance and regulatory limitations.

Mr. Jones suggested getting a quote on using a clearance car with lasers, which can send beams to measure the whole line.

John Hoegemeier added that in addition to the clearance issue is the question of where to put the cars with the limited rail-operating window. Mr. Jablonski suggested looking at Palomar Siding or the San Ysidro Yard.

Mr. Perry suggested taking the proposal to move rail one step at a time and to explore options.

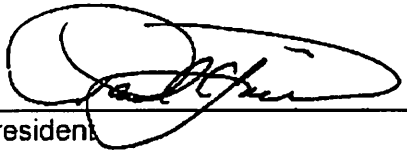
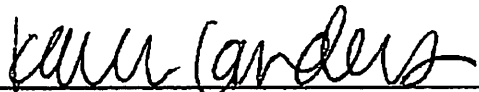
Ms. Landers reminded the Board that no action could be taken at this time (any action on this item would have to come back to the Board as an agenda item).

11. Next Meeting Date

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

12. Adjournment

The meeting was adjourned at 9:45 a.m.

  
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President  
\_\_\_\_\_  
General Counsel

JGardetto/  
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