

MINUTES

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

April 19, 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 April 19, 2011, 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:	Tim Allison, Karen Landers, Wayne Terry, Tom Lynch
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
International Border Rail Institute:	Richard Borstadt
Federal Railroad Administration (FRA):	Hector Valdepena
Admicarga:	Jorge O. Munroz Sustaita, Gaspar Metzler Ibanez
Pattern Energy:	Joan Inlow

1. Approval of Minutes

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

2. Statement of Railway Finances

Tom Lynch, MTS Controller, reviewed the financial statement for the first quarter of 2011 (attached to the agenda item).

Action Taken

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

3. Report on SD&IV Operations

Matt Domen presented the report of activities for the first quarter of 2011 (attached to the agenda item). Mr. Jablonski asked for a follow-up on Mr. Domen's report at the previous meeting regarding delays to freight operations by contractors working on the Blue Line Rehabilitation Project. Wayne Terry responded stating that all parties involved have been working closely together (and will continue to do so) with ongoing meetings and communications to mitigate any issues and keep the operators moving freight on the line. He added that the overhead catenary system work should be completed around the second week of June, so he anticipates a reprieve before the track work and signaling begins.

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

Diana Hyatt presented the first quarter of 2011 report (attached to the agenda item). Mr. Jablonski asked if there have been any communications with Mexico in regard to reopening the tunnel. Chas McHaffie responded and stated that funding is currently the issue in regard to refurbishing portions of the Desert Line. Administradora de la Vía Corta Tijuana-Tecate (ADMICARGA) wants Carrizo to pay 100% of the costs.

Public Speaker: Hector Valdepena of the FRA – Mr. Valdepena asked if Museum personnel will be responsible for track inspections and recordkeeping for Desert Line operations from Campo to Division.

- Ms. Hyatt responded that Museum personnel are keeping records and will be maintaining the track until Carrizo resumes its operations. She added that the main track inspector is Wally Barber who is trained and does very in-depth monthly inspections (track inspectors who have gone through Mr. Barber's training perform weekly inspections). Ms. Hyatt agreed to provide Mr. Valdepena with copies of the track inspections.

Action Taken

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

5. Report on the Desert Line

Sheila LeMire presented the 1st quarter report (attached to the agenda item).

Public Speaker: Reena Deutsche – Ms. Deutsche stated that she has given lectures on SD&AE's history over the years, and she has gotten questions inquiring if the Desert Line will ever reopen and if there will be passenger operations.

- Mr. McHaffie responded to Ms. Deutsche's question regarding reopening the Desert Line. Mr. McHaffie stated that he placed an embargo on the line due to safety concerns of the state of the bridges and tunnels. Repairs are estimated to cost around \$8 million to \$12 million. Procuring funding has been a challenge due to the recession, but Mr. McHaffie has not stopped moving forward in seeking those funds.
- Mr. Jablonski responded in regard to future passenger operations on the Desert Line. He stated that the bridges and tunnels must be in a state of good repair before passenger operations can resume.

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 January 18, 2011

Tim Allison, MTS Manager of Real Estate Assets, presented the summary of document issued since January 18, 2011.

- S200-10-459: Right of Entry Permit to Gryphon Detective Agency to film at the San Ysidro Trolley Station.
- S200-10-470: License to Imperial Valley Solar, LLC for an at-grade crossing west of Plaster City in Imperial County.
- S200-11-474: Right of Entry Permit to Bert W. Salas, Inc. for a construction crossing of the Imperial Beach bike path at 8th Street in Imperial Beach.
- S200-11-475: Right of Entry Permit to Erickson Air Crane to cross the Desert Line for the Sunrise Power Link construction in Jacumba.
- S200-11-476: Right of Entry Permit to Pullman Engineering to construct a sewer pipeline at 54th Street in the City of San Diego.
- S200-11-477: Right of Entry Permit to Golden State Boring and Pipe Jacking to construct a sewer pipeline at 54th Street, in the City of San Diego.
- S200-11-478: Right of Entry Permit to AirX Utility Surveyors for utility investigations at Lemon Grove Avenue in the City of Lemon Grove.
- S200-11-479: Right of Entry Permit to Haley and Aldrich, Inc. to access the right-of-way near Gunpowder Point at the Sweetwater Marsh in the City of Chula Vista.
- S200-11-480: Right of Entry Permit to Nautilus Environmental to access the right-of-way near Gunpowder Point at the Sweetwater Marsh in the City of Chula Vista.
- S200-11-481: Right of Entry Permit to SDG&E to construct the Sunrise Power Link in San Diego and Imperial Counties.
- S200-11-482: Right of Entry Permit to Par Electric Contractors, Inc. to construct the Sunrise Power link in San Diego and Imperial Counties.
- S200-11-483: Right of Entry Permit to the U.S. Department of the Navy for the Bay Bridge Run/Walk.
- S200-11-484: Right of Entry Permit to Ortiz Corporation to abandon a sewer pipeline near Euclid Avenue in the City of San Diego.
- S200-11-486: Right of Entry Permit to Aguirre Engineering, Inc. to perform surveys near Lemon Grove Avenue in the City of Lemon Grove.
- S200-11-488: Right of Entry Permit to Aguirre Engineering, Inc. to perform surveys for the South Line Freight Improvement Project.

Action Taken

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

b. License Agreement with Pattern Energy Group for At-Grade and Utility Crossings

Tim Allison reviewed a request for proposed at-grade crossings, a utility crossing, and longitudinal utility occupation over SD&AE tracks located west of Ocotillo from approximately mile post (MP) 113.5 to MP 119.3 in Imperial County. Mr. Allison introduced Joan Inlow from Pattern Energy Group. Mr. Allison added that there may be a future proposal by Pattern to move some of the materials by rail from mile post 115 to Plaster City, and bringing the line up to operating standards would have to be addressed.

Mr. Jones stated that RailAmerica has moved a lot of wind turbine products in the past and would help in any way. Ms. Inlow outlined the scope of the freight.

Mr. McHaffie confirmed for Mr. Jablonski that Carrizo would still be able to interchange with Union Pacific (if this proposal is approved).

Mr. Jablonski stated that he would like to see a more detailed financial report at the next meeting in July before taking action on this item.

Discussion ensued regarding bringing the line up to operating standards for potential freight movement and crossing requirements during the life of the project.

Action Taken

No action was taken. This item will be deferred until the next meeting on July 19, 2011.

c. San Diego Unified Port District Fiber-Optic Connectivity Project Agreement Amendment

Mr. Allison reviewed a request from San Diego Unified Port District (Port) for an amendment to the Amended and Restated Use Agreement for fiber-optic installations. He described the projected extension of fiber-optics and the benefits to MTS information technology.

Action Taken

Mr. Jablonski moved to authorize the execution of an amendment to the Amended and Restated Use Agreement granting a license to the San Diego Unified Port District (Port) for fiber-optic installations. Mr. Jones seconded the motion, and it was unanimously approved.

d. SDG&E Road-Crossing Easement

This item was deferred to the July 19, 2011, SD&AE Board of Directors meeting. No action was taken.

- e. **CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS**
Pursuant to California Government Code Section 54956.8
Property: Assessor Parcel Nos. 667-020-52, 54, 60, & 70, San Diego, California
Agency Negotiators: Karen Landers, MTS General Counsel; Tim Allison, MTS Manager of Real Estate Assets
Negotiating Parties: U.S. General Services Administration
Under Negotiation: Price and Terms of Payment

The Board adjourned into closed session at 9:41 a.m. and resumed open session at 10:21 a.m.

Action Taken

General Counsel Karen Landers reported that the Board received a report and gave direction to staff.

7. Old Business

There was no old business.

8. New Business

Mr. Seil announced that he is resigning as SD&AE Chair, and Randy Perry is replacing him as General Manager.

9. Public Comments

There were no public comments.

10. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on July 19, 2011, at 9:00 a.m.

11. Adjournment

The meeting was adjourned at 10:26 a.m.



President



General Counsel

/MINUTES.SDAE.4-19-11