

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 OperationsAction 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 Mattersa. 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/
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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

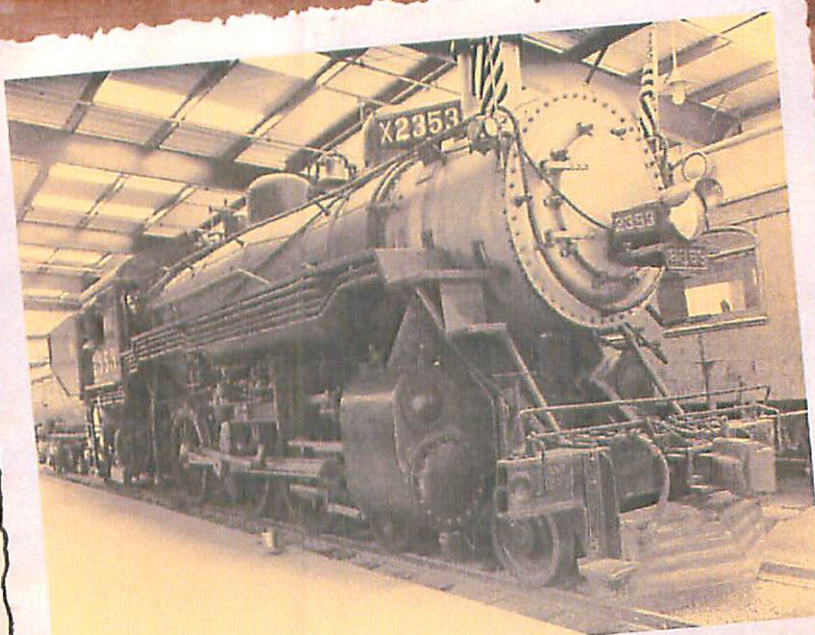


Photo by John Wright

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

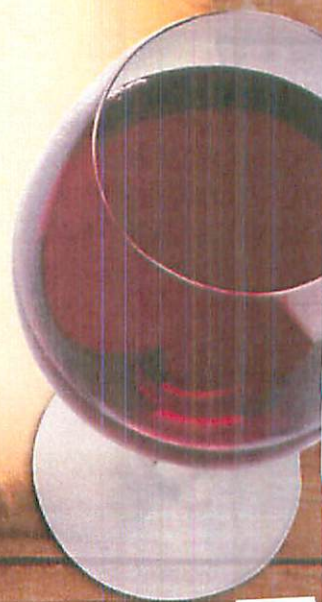
SPONSORS

**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 / Environmetal 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.

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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.

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Appendix B FINANCIAL SUMMARY

DESERT LINE

REVENUE FREIGHT HAULED

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

Total	0
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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
January 24, 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)

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

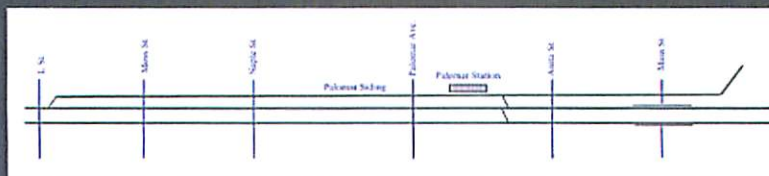
- Signaling Improvements
 - Aerial Cable/Fiber Backbone
 - Positive Train Separation (if FRA requires)
 - Bi-Directional CTC
 - Bi-Directional Grade Crossing
- Palomar Siding Improvements
 - Siding Split North and South of Palomar St. Trolley Station
 - New Southern Connection
 - Freight Bridge Over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



SANDAG

Mainline Improvement Project Status

» Palomar Siding: Existing Condition



» Palomar Siding: Future Configuration



SANDAG

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



SANDAG

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)

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