

MINUTES

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

April 16, 2013

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 16, 2013, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Bob Jones, Randy Perry, and Wayne Terry (for Paul Jablonski). Also in attendance were members from:

San Diego Metropolitan Transit System:	Tim Allison, Karen Landers, Linda Musengo
San Diego & Imperial Valley Railroad:	Matt Domen, Brad Ovitt
Pacific Southwest Railway Museum:	Diana Hyatt
Pacific Imperial Railroad, Inc.:	Sheila Lemire, Don Stoecklein
Burlington Northern Santa Fe:	John Hoegemeier

1. Approval of Minutes

Mr. Jones moved to approve the Minutes of the January 15, 2013, SD&AE Railway Board of Directors meeting, and it was unanimously approved.

2. Statement of Railway Finances

Linda Musengo reviewed the financial statement for the first quarter of 2013 (attached to the agenda item).

Action Taken

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

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

Matt Domen reviewed the report of activities for the first quarter of 2013 (attached to the agenda item). Mr. Domen noted that the first page of the report is missing from the packet (attached).

Action Taken

Mr. Terry 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 reviewed the first quarter of 2013 report (attached to the agenda item). Ms. Hyatt distributed a flyer for a celebration for the Museum's 50-plus years of service (attached).

Action Taken

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

5. Report on the Desert Line

Chas McHaffie reviewed the first quarter of 2013 report (attached to the agenda item). Mr. McHaffie thanked Mr. Jones and Mr. Perry for their contributions as SD&AE Board members.

Don Stoecklein informed the Board that PIR is moving forward with Union Pacific for trackage/hauling rights on approximately ten miles of track (from Plaster City to El Centro). A proposal has been submitted to counsels for PIR and Union Pacific. Mr. Stoecklein stated that Union Pacific representatives are in town today to discuss logistics issues with PIR. He added that PIR has submitted a reconstruction plan to MTS and is updating that plan at this point. PIR is meeting with consultants (subject to MTS approval) to review their proposals for commencement of construction pursuant to the reconstruction plan.

Karen Landers reminded operators that they must utilize MTS's Right of Entry permit process for any consultants or third parties testing or working on the line to ensure indemnification and proof of insurance. Mr. Stoecklein responded that an inspection team went out and looked at the line for purposes of generating true inspections. He added that inspections will be extensive (bridges tunnels, track, ability to hold freight, condition of the ties, etc.). Right of Entry permits will be obtained before any work commences.

Mr. Stoecklein reported that PIR is continuing to develop its marketing plan. PIR has ordered three locomotives to be in a position to move freight and continues to pursue investment banking. (He noted that a Kinsell Securities representative was present at the meeting.)

Ms. Landers stated that there are ownership issues regarding some old rail cars sitting at Jacumba. Ms. Landers stated that she is not sure about the process to resolve this issue and get equipment not owned by PIR removed from the line. She stated that an inventory of these cars should be created and a certain amount of time given to remove the cars. Ms. Landers added that safe removal of these cars is a priority before operations.

Tim Allison asked Mr. Stoecklein to assign a PIR representative to review and approve or concur with SDG&E's plans for proposed power and underground lines on PIR's behalf. Mr. Stoecklein responded that he would be the representative. Ms. Landers added that she received a call this week from SDG&E's attorney wanting to finalize the East County Substation Project documents that address the wires over the SD&AE tracks being high enough to accommodate double-stacked cars. Mr. Allison added that he has reviewed the documents, and they look fine; he just needs PIR's consent. Mr. Stoecklein will work with Mr. Allison to finalize approval of the documents.

Action Taken

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

6. Real Property Matters

a. Summary of SD&AE Documents Issued Since January 15, 2013

Since the January 15, 2013, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-13-558: Right of Entry Permit to LB Civil Construction, Inc. for 24th Street and Civic Center Drive freeway and ramp improvements in the City of National City.
- S200-13-561: Right of Entry Permit to Davey Tree Surgery Company for tree maintenance and wood power-pole inspections along various portions of the SD&AE right-of-way.
- S200-13-566: Right of Entry Permit to NX Utilities, LLC for installing fiber-optic cabling at 28th Street in the City of San Diego.

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

b. Easement for a Water Pipeline – H Street, Chula Vista

Mr. Allison informed the Board that the request is to issue an easement to Sweetwater Authority to extend the water line to the west on H Street, and Sweetwater Authority would pay the appraised easement value.

Action Taken

Mr. Terry moved to approve issuing an easement to Sweetwater Authority for a proposed 16-inch water pipeline crossing under SD&AE tracks located on H Street between Bay Boulevard and Marina Parkway in Chula Vista, California. Mr. Jones seconded the motion, and it was unanimously approved.

c. Ancillary Real Estate Actions for the Trolley Renewal Project – SDG&E Service Easement for Traction Power Substation Power

Mr. Allison stated that the request presented is to authorize the SD&AE President to issue ancillary real estate actions and agreements for the Trolley Renewal Project. He explained that as part of the project, SDG&E requires easements for service power for signaling, power stations, etc. at 7 or 8 locations along the SD&AE line. Mr. Allison stated that approval of this action would authorize the President to approve upcoming easement requests without having to come back to the SD&AE Board each time.

Action Taken

Mr. Terry moved to authorize the President to execute any and all ancillary real estate documents and agreements that are needed for the MTS Trolley Renewal Project. Mr. Jones seconded the motion, and it was unanimously approved.

7. Election of SD&AE Chairperson and Board Member

Ms. Landers stated that this is the last meeting for Mr. Jones and Mr. Perry (due to reorganization within RailAmerica, which was acquired by Genesee & Wyoming). She added that the SD&AE Board needs to discuss proposed replacements and make recommendations to forward to the MTS Board on May 16, 2013, so that the new members will be in place for the next SD&AE meeting (on July 16, 2013).

Mr. Jones introduced Brad Ovitt of Genesee and Wyoming; they have worked together at RailAmerica for the past 11 years. Mr. Jones reviewed Mr. Ovitt's background and experience and added that he feels that Mr. Ovitt would be a good addition as Chairperson due to his experience and savvy in the industry. Mr. Jones added that he also feels that Matt Domen of SD&IV would be a good replacement as Secretary. Ms. Landers requested that curriculum vitae be submitted for Mr. Ovitt and Mr. Domen in time for the recommendation to the MTS Board of Directors on May 16.

Action Taken

Mr. Terry moved to elect Brad Ovitt from Genesee and Wyoming as Chairperson and Matt Domen from SD&IV as Secretary for the SD&AE Board of Directors and forward a recommendation for approval to the MTS Board of Directors at its meeting on May 16, 2013. Mr. Jones seconded the motion, and it was unanimously approved.

8. Board Member Communications

There were no Board member communications.

9. Public Comments

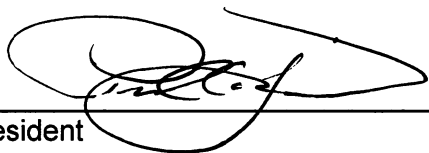
There were no public comments.

10. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on Tuesday, July 16, 2013.

11. Adjournment

The meeting was adjourned at 9:19 a.m.



President



General Counsel

2013-4-16 MINUTES-SDAE

Attachments: Flyer "Chefs Fire up the Iron Horse"
SD&IV Quarterly Report (complete)

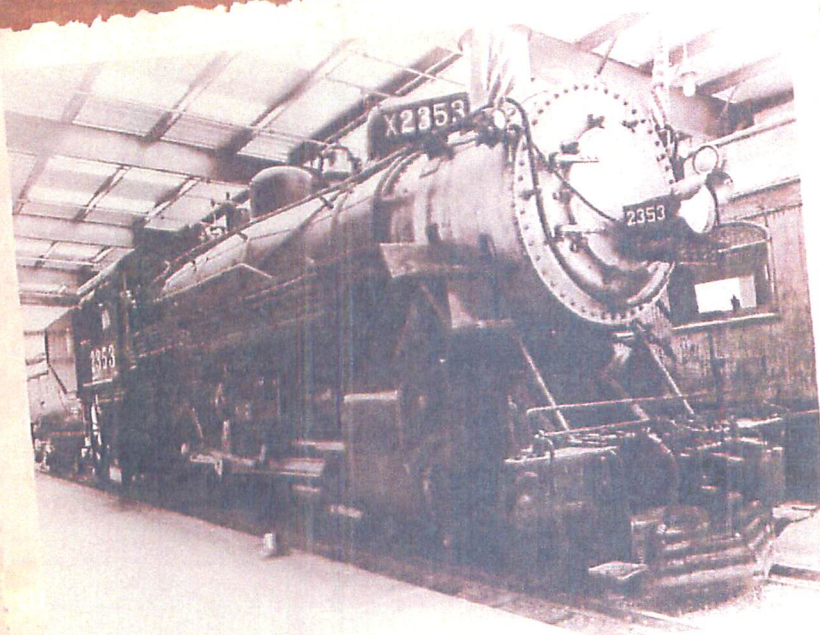


Photo by John Wright

COME AND ENJOY!

CHEFS FIRE UP THE

APRIL 20, 2013



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 Southern California Vintners Alliance

**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 | 619-465-7776



SCVA
Southern California Vintners Alliance



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 Southern California
Vintners Alliance**

Food prepared by
**Chefs de Cuisine
Association of San Diego**
www.sdchefsdecuisine.com

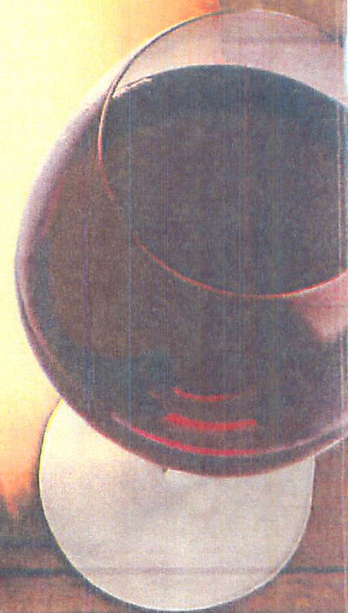
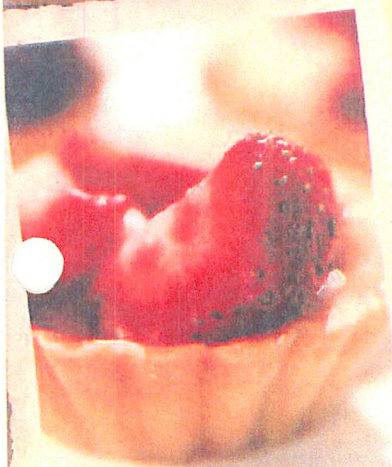
SPONSORS

**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.



Agenda Item No. 2

San Diego and Arizona Eastern (SD&AE)
Railway Company
Board of Directors Meeting

April 16, 2013

SUBJECT:

STATEMENT OF RAILWAY FINANCES

RECOMMENDATION:

That the SD&AE Board of Directors receive a financial report for three quarters ended March 31, 2013.

Budget Impact

None.

DISCUSSION:

Attached are the financial results for three quarters of fiscal years 2013 and 2012, which includes the periods ended March 31, 2013, and 2012.

The current year-to-date income is \$18,022 unfavorable to budget due to a reduction in Right of Entry permits revenue in the 3rd quarter and a \$7,840 reversal of some Right of Entry fees related to projects that may not be completed. In addition, revenue for the SD&IV freight fee is budgeted ratably throughout the year, but the fee will not be received until the 4th quarter.

Income has increased by \$41,255 compared to the same period last year due to a significant increase in Right of Entry permits. Finally, SD&AE received \$683 from the Secretary of State related to checks sent to us in 1995 that were never cashed.

Expenses are \$23,860 unfavorable to budget due to Outside Services totaling \$18,995 paid to PGH Wong for engineering related to Right of Entry permits, and \$4,733 paid to RL Banks for consulting services related to the Desert Line project. The budget for Outside Services was decreased during the midyear adjustment because there had been no activity in that line item.

Expenses have increased by \$49,898 over the same period last year due to a \$22,656 increase in personnel costs related to increased Right of Entry fees and a \$29,740 increase in Outside Services as stated above. The net loss for the first three quarters of FY 13 was \$24,765 compared to a net loss of \$16,123 for the same period in FY 12.

Attachment: SD&AE Operating Statement 3rd Quarter FY 13

SD&AE operating statement FY2013-12

	FY2013						FY2012	
	Q1 2013	Q2 2013	Q3 2013	YTD	Budget	Variance	Q1 - Q3	Variance
Revenue								
Right of entry permits	\$ 13,400	\$29,689	\$ (5,040)	\$ 38,049	\$44,889	(6,840)	6,121	31,928
Lease income	19,563	16,497	22,826	58,886	54,068	4,818	50,242	8,643
Other income	-	-	683	683	16,683	(16,000)	-	683
SD&IV 1% freight fee	-	-	-	-	-	-	-	-
Total revenue	32,963	46,186	18,469	97,618	115,640	(18,022)	56,363	41,255
Expense								
Personnel costs	25,179	30,410	21,379	76,968	75,260	(1,708)	54,312	(22,656)
Outside services	-	-	29,740	29,740	5,000	(24,740)	-	(29,740)
Energy costs	-	-	-	-	-	-	-	-
Risk management	5,752	5,752	3,637	15,141	17,029	1,888	17,865	2,724
Misc operating expenses	534	-	-	534	1,234	700	309	(225)
Depreciation	-	-	-	-	-	-	-	-
Total expense	31,465	36,162	54,757	122,383	98,523	(23,860)	72,486	(49,898)
Net income/(loss)	\$ 1,498	\$ 10,025	\$ (36,288)	\$ (24,765)	\$ 17,117	(41,882)	\$ (16,123)	(8,643)

Reserve balance 2012	\$ 916,413
Allocated interest earnings	1,651
Operating profit/(loss)	(24,765)
Improvement expense 2013	-
Reserve balance 2013-est	\$ 893,298