

MINUTES

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

January 27, 2015

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 27, 2015, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Blake Jones, Matt Domen, and Paul Jablonski. Also in attendance were members from:

San Diego Metropolitan Transit System:	Tim Allison, Karen Landers, Wayne Terry, Erin Dunn
Pacific Southwest Railway Museum:	Diana Hyatt
Pacific Imperial Railroad, Inc.:	Dan Neveau, Jeff Kinsell, Charles McHaffie
San Diego & Midwestern Railway Partners, LLC.	Ed Kravitz
FPN USA, Inc.	Geoffrey Scheuerman
Ferrocarriles Peninsulares del Noroeste	R. Mitchel Beauchamp

1. Approval of Minutes

Mr. Jablonski moved to approve the Minutes of the October 21, 2014, SD&AE Railway Board of Directors meeting. Mr. Jones seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Erin Dunn reviewed the financial statement for the second quarter of Fiscal Year (FY) 2015 (attached to the agenda item).

Action Taken

Mr. Jablonski moved to receive the report for information. Mr. Domen 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 fourth quarter of 2014 (attached to the agenda item).

Mr. Jablonski inquired about a potential change in the amount of liquid petroleum gas (LPG) being transported. Mr. Domen responded that he anticipates an increase due to Conoco Phillips acquiring a permit from Mexico to import once again. Mr. Domen has been notified that by April 2015, the amount of cars will increase to nearly 100. Mr. Domen also stated that other LPG shippers will also be continuing their imports.

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 reviewed the fourth quarter of 2014 report (attached to the agenda item).

Diana Hyatt requested that the Board grant PSRM possession of a gang car that is chained to the track outside of Jacumba. Diana Hyatt presented to the Board a report from Midland Rail Road Enterprises regarding the repair of a bridge structure at M.P. 66.77, and commented on the desire to have SD&AE assist in the funding of said project. Karen Landers notified the Board that this particular project is in the scope of work covered by the agreement between SD&AE and PIR.

In regards to the PSRM agenda item, Diana Hyatt, Paul Jablonski and Karen Landers agreed that SD&AE would issue PSRM a one year lease. This lease would be revocable on a 30 day notice as to not interfere with the PIR project.

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 gave an oral report for the fourth quarter of 2014. Mr. McHaffie reported that PIR had made their \$500,000 payment within the allotted time frame. Mr. McHaffie notified the Board that a new investor group supplied a \$5,000,000 cash letter to PIR to support ongoing negotiations with Mexico.

Chas McHaffie reported that the majority control of PIR has been transferred from The Nevada Group, to Kinsell Enterprises, with Jeff Kinsell being the new CEO of PIR. Mr. McHaffie introduced Dan Neveau as the new president of PIR.

Mr. Jablonski noted that the lease with PIR is in good standing. Mr. Jablonski also noted that the transfer of ownership does not alter the lease in any way. He went on to report that in early December there was a mediation hearing between all parties, and hosted by the US Consul General in Tijuana. The mediation was attended by San Diego Metropolitan Transit System (MTS), Pacific Imperial Railroad (PIR), and Baja Rail, and the governor of Baja's office. The mediation was held for the purpose of furthering the idea of a potential agreement between the railroad entities on both sides of the border for establishing a bi-national railway. PIR had requested of Baja Rail that there be a 50 year operating concession in Mexico. Baja Rail requested that PIR supply working capital for repairs. PIR showed proof of \$5,000,000 in assets assigned to Jeff Kinsell to show that they had working capital. All parties expect to continue mediation in this matter.

Action Taken

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

6. Real Property Matters

A. Summary of SD&AE Documents Issued since October 21, 2014.

Since the October 21, 2014, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-09-383.1: Lease extension to Cox Communications for a billboard at Euclid Ave. and Market St. in San Diego.
- S200-09-413.1: Lease extension to Cox Communications for a billboard at Harbor Drive and Civic Center Drive in National City.
- S200-09-414.1: Lease extension to Cox Communications for a billboard at 28th Street and Harbor Drive in San Diego.
- S200-09-415.1: Lease extension to Cox Communications for a billboard at Imperial Avenue and Merlin Drive in San Diego.
- S200-09-416.1: Lease extension to Cox Communications for a billboard at 32nd Street and Harbor Drive in San Diego.
- S200-15-609: Construction and Maintenance Agreement to SDG&E for at-grade private crossings along the Coronado Branch in Chula Vista.
- S200-15-610: Easements to SDG&E for at-grade private crossings along the Coronado Branch in Chula Vista.

B. F Street Underpass Crossing Interstate 5 in Chula Vista

Mr. Tim Allison submitted and reviewed an informational report regarding the F Street Underpass crossing Interstate 5 in Chula Vista.

Public Comment – Ed Kravitz

Mr. Kravitz addressed the Board regarding the Coronado Belt Line and the crossing at F Street. Mr. Kravitz went on to say that he has plans to work with The City of Chula Vista, The City of Imperial Beach and The City of National City to renew interest in the Coronado Belt Line due to growing traffic issues. Mr. Kravitz expressed concern about the proposed bike lane because if the diamonds are removed at F Street, there are very few options left for rail traffic to enter the Coronado Belt Line. Mr. Kravitz urged the Board to either not go through with the bike trail, or find another way for rail traffic to enter the Coronado Belt Line. Mr. Kravitz followed up by asking the Board to consider leasing or selling the right of way in question for the purpose of revitalizing the Coronado Belt Line.

Action Taken

Mr. Domen moved to receive the reports for information. Mr. Jones seconded the motion, and they were unanimously approved.

7. Board Member Communications

Mr. Jablonski asked Mr. Domen about the steep decline of cars originating in Mexico with SD&IV. Mr. Domen commented that the number of originating cars has always been very low. Mr. Domen commented that he and his marketing director recently met with rail officials in Mexico in order to educate them that the line is in service five (5) days a week. Mr. Domen reported that there is a warehouse and yard being built in Mexico and that he is anticipating some increase in traffic.

8. Public Comments

Reena Deutsch – Ms. Deutsch inquired about the status of the PIR repair bids.

Karen Landers responded to Ms. Deutsch stating that the milestones for PIR are as follows: September 1, 2015 is the deadline for initial repairs and October 1, 2015 is the deadline for the first test train. Karen Landers reported that MTS will be working with the new control group at PIR to get the updated construction schedule.

9. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on Tuesday, April 14, 2015.

10. Adjournment

The meeting was adjourned at 9:41am.



President



General Counsel

SDAE Minutes Template.doc

Attachments: Campo Creek Railroad Structure – M.P. 66.77



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January 26, 2015

Mike Edwards, Director of Railroad Operations
Pacific Southwest Railway Museum
4695 Nebo Drive
La Mesa, CA 91941

Re: Campo Creek Railroad Structure – M.P. 66.77

Mr. Edwards;

Midland Rail has completed a comprehensive on-site evaluation of the M.P. 66.77 railroad bridge structure and consulted with the Pacific Southwest Railway Museum representatives concerning the amount and availability of direct participation by the PSRM in labor, materials and equipment use.

The on-site evaluation determined that the bridge structure is in generally fair condition with needed repairs and the replacement of some deteriorated timber components is necessary.

Midland Rail established a list of needed materials at the time of the evaluation. It was determined in co-operation with PSRM that all needed bridge timber and bracing materials are available to perform the repairs to this structure. The needed timber materials are located in Campo and Jucumba, and require sorting and transport to the Campo Yard and prepared for use. A list of those needed components will follow in this document.

Midland Rail has prepared the following scope of work and a projection of administrative, labor and equipment time to carry out the determined repairs. A budgetary cost estimate has been prepared to include, but not limited to, the administration, labor and equipment to carry out the projected scope of work on the Mile Post 66.77 railroad bridge structure crossing Campo Creek.

Scope of Work – Mile Post 66.77 structure repairs

1. Replace 1 each, 12"x 14"x 14' defective cap at Bent #5 with in-stock relay bridge timber.
2. Remove the existing bridge deck components including but not limited to the running rail and deck ties. Secure all track components for reuse.

3. Upon removal of the bridge deck, all stringers will be evaluated and those components found defective will be prepared for replacement.
4. Replace all determined defective 8"x 17"x 30' stingers as necessary throughout the bridge structure from in-stock relay bridge timbers.
5. Reconstruct the bridge deck using the removed bridge deck components, new materials will include but not limited to tie plugs, track spikes, bolts, nuts and washers as needed. All track components to reconstruct the bridge deck will be taken from on-site stock.
6. Bent #1 – West end – replace two each defective 12"x 12" posts, replace defective 3"x 12"x 28' head wall timbers, install missing sway and sash bracing
7. Bent #2 – Replace defective and missing sway and sash bracing as needed.
8. Bent #3 – Shim post #2 at the cap, replace deteriorated sway bracing.
9. Bent #4 – Replace defective 3"x 8" sway braces and 6"x 8" sash braces.
10. Bent #5 – Replace defective cap as noted in item #1 of the scope of work.
11. Bent #6 – Replace defective sash braces.
12. Bent #7 – Replace defective sash brace.
13. Bent #8 – Install missing sway and sash braces.
14. Due to several bents that appear to be out of plum and are subject to down grade braking by operations, longitudinal bracing will be installed the full length of the bridge on both sides. Longitudinal bracing to be installed will be 6"x 8" bridge timbers taken from stock.
15. Surface approaches as necessary.
16. Remove all repair generated excess materials and debris from the structure site.
17. Replace all defective and or deteriorated bridge stringers with in-stock relay bridge timbers.
18. Prepare a comprehensive materials list determined by the current evaluation and potentially available bridge timbers that may be in stock.
19. Prepare a cost estimate for Administration, Labor and Equipment necessary to perform the determined Scope of Work with consideration to PSRM participation.
20. Midland Rail to prepare a Budgetary Cost Estimate based on the current evaluation, best available information and material needs to include, but not limited to the Administration, Labor, Equipment and Material costs to perform the established Scope of Work.

Budgetary Cost Estimates – Midland Rail has prepared the following budgetary cost estimates to reflect the Administrative, Labor and Equipment costs to perform the above scope of work.

Administration and Labor - Administration and Labor including but not limited to all projected wages and expenses to perform the determined scope of work. The duration of the project is approximately 7 project work days and 2 days for mobilization and demobilization. Projected budgetary lump sum cost for Administration and Labor.....**\$38,055.00.**

Equipment – Support vehicles and bridge tools are included in the estimated administration and labor costs. The project will require the use of a fairly large backhoe, (John Deere 710, 4 wheel drive, or similar) to perform the needed repairs. This equipment would be sourced locally. The estimated cost for a 7 day or 1 week plus rental with jobsite delivery and pick up is estimated at.....**\$4,067.00.**

Materials – It was determined that all materials needed to perform the repairs to the bridge structure at M.P. 66.77 are available in stock on Pacific Southwest Railway Museum property. Some sorting and preparation will be necessary to make those materials ready for use. The following is an approximate list of those needed materials:

392 linear feet of 6"x 8" treated timbers, sash braces
160 linear feet of 4"x 8" treated timbers, sway bracing
7 each – 8"x 17"x 30' treated timbers, stringers
1 each – 12"x 14"x 14', cap
Head wall timbers – 4 each, 3"x 12"x 28' treated timbers
412 each - new 5/8"x 6" track spikes
2 bundles of tie plugs
Replacement track bolts, if necessary
Assorted shim stock
8 pc - of 3/4" all thread, new in 16' to 20' lengths to cut for bolts
2 pc - of 3/4" cold roll for drifts
60 each - 3/4" nuts
60 each – 3/4" bridge washers

All materials needed are in PSRM stock or are available locally. All thread, cold roll material, hex nuts and bridge washers may not be available in stock.

Contingency cost for materials not known to be in stock.....\$500.00

Lump sum budgetary estimate to complete the projected scope of work....\$42,622.00

This estimate is based on the on-site evaluation of the M.P. 66.77 bridge structure and takes into account the available materials and or any equipment or labor made available by the Pacific Southwest Railway Museum. Reduction in the estimated cost may occur based on actual contributions made to the project by the PSRM. A final proposal can be made when the scope of work and resources are finally determined.

Midland Rail awaits your response, any questions or further discussion should be directed to Steven Lackner, Midland Rail Enterprises, ph 530-681-1038 or email midlandrail8@gmail.com

Thank you,
Steven D. Lackner
Project Manager