

**Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Board of Directors Meeting held October 26-27, 2007
Cliff House Hotel, Manitou Springs, Colorado**

Attendance:..Tim Tennant, Bob Craine, Bill Lock, Bob Ross, Nan Clark, Caroline Tower, Dan Pyzel, Parker Fowler, David Lee, Frank Yockey, Dennis Sterosky, Curt Bianchi, Craig McMullen, Linda Smith, Ed Lowrance, Bob Tully, Jim Herron.

Absent:..Art Nichols, Spencer Wilson, Warren Smalley.

Guests:..John Engs, Marshall Smith, Les Clark, Ted Smith, Mona Tully, Art Randall, Dick Cowles, Jean Lee, Geof Gordon, Jim O'Keefe, Bill Kepner.

I. Call to Order

Chairman Craine called the meeting to order on Friday, October 26, at 1:34 p.m.

II. Approval of Minutes

Chairman Craine asked for corrections to the minutes of the June 17, 2007 Board of Directors meeting, and the Executive Committee meeting minutes of July, August, September and October 2007. There were no corrections.

M/S Fowler/Yockey to receive and approve the minutes. **Pass unanimously.**

III. Interim Executive Director's Report

Director Lock, acting as the Friends' interim executive director, presented his report.

- The Dorman Photo Collection processing continues to go extremely well.
- Over 400 copies of Sam Furukawa's book have been sold by the Friends.
- From January 1, 2007 to October 24, 2007 we received \$143,783.51 from 1,626 renewals and new memberships, for an average of \$88.43 per membership.
- Director Lock stated that while we are registered as a New Mexico charitable organization, we had never been asked to register in the state of Colorado. Nevertheless, we have gone ahead and registered in Colorado.
- Regarding a paint overspray issue during the June work sessions, Director Lock authorized our insurance company to pay two claims against us.
- Director Lock expressed the need for a consistent policy regarding in-kind donations, and he offered to be the "clearing house" for such donations. In addition, we need an individual or committee to review and approve the acceptance of donations in-kind.
- Director Lock reported that the past and current tenants at our Chama property have been an ongoing source of headaches. Nevertheless, he thinks it best to continue renting the

property rather than leaving it vacant. Director Lock thanked Don Bayer for his help in making repairs to the property and collecting rent.

Director Lock reported on efforts to acquire historic rolling stock for the C&TS.

- Earlier this year the Friends acquired 34-foot stock car 5995 and it is currently in Antonito.
- Regarding the possible acquisition of the Dulce stock cars, we made a proposal to the Jicarilla Apache Tribe, but they have not responded, so the matter is closed at this time. However, we are ready to act when the time comes.
- Director Lock believes we are close to having possession of cabooses 4990, which is owned by the City of Boulder and was burned in an arson fire in July. We must pay for the craning of the cabooses when it arrives in Antonito, and possibly craning the F&CC passenger car, which we have proposed to send to Boulder. The final deal and the paperwork is not yet complete.
- Director Lock reported on a trade between the Friends, the commission, and Don Shank. The commission is giving Don Shank the former prime movers from locomotive No. 19. The commission is getting the frame to high side gondola 1062. The Friends will receive two boxcars and a stock car, in exchange for paying to move the cars and the diesel prime movers.

IV. Finance Committee Report

Treasurer Sterosky presented the Finance Committee report. The September balance sheet shows a net equity of over \$1 million for the first time in the organization's 20-year history. In terms of year-to-date income, we are slightly ahead of budget, but we are projecting a net operating loss of \$71,000 for the year due to higher than budgeted expenses (although \$29,000 in project expenses is expected to be reimbursed by the commission).

Chairman Craine reiterated that it is unacceptable for the organization to run a net operating loss, and that we must take the steps necessary to correct this. He reminded everyone that overall net income, which includes restricted contributions, such as ACNGS II, is very strong; it is the unrestricted operating revenue--primarily dues--and operating costs--primarily office administration and project costs--that we must carefully review and control and in the case of revenue, increase.

M/S Lock/Fowler to receive the financial statements. **Passed unanimously.**

V. Master Calendar

Chairman Craine reviewed the master calendar:

Work Session A	May 12-16, 2008
Work Session B	May 19-23
Work Session C	June 16-20
Work Session D	June 23-27
Work Session E	August 4-8
Work Session F	August 11-15

Director Lock noted that 2008 is the twentieth anniversary of the Friends as a corporate entity, and that we would like to operate a special event with pile driver OB during the weekend between work sessions C and D. Depending on the details of the event, we may need to be flexible in terms of the timing of the annual meeting and June board meeting, which traditionally occur on the Friday and Saturday between work sessions C and D.

VI. C&TS Dispatch Report

Director Lee presented the report. The fall issue of the *Dispatch* should arrive in the mail in the next week. He also reviewed a mission statement that he drafted for the *Dispatch*, which described its purpose and focus, advertising policy, and publishing schedule.

VII. Strategic Plan Evaluation

Chairman Craine reviewed the organization's progress toward the seven key strategic objectives set forth in the 2005 five-year strategic plan. Not having a full-time executive director during 2006 and 2007 has been difficult, he said, but we have accomplished a great deal through the extraordinary efforts of our staff, volunteers, and board members. We expect to formally review and revise the strategic plan in 2008.

VIII. Railroad Operations Report

Tim Tennant presented the railroad operations report. The railroad completed a very successful 142-day, seven days per week season. It was done with three locomotives and without a major locomotive failure, which Mr. Tennant credited to the railroad's shop crews. The railroad hauled 43,164 passengers, an increase of 9% over the 2006 season.

CTSMC completed the second year of track and ROW improvements. Thanks to appropriations from Colorado and New Mexico, track crews have installed in excess of 20,000 crossties and dumped 25,000 tons of rock ballast.

Mr. Tennant thanked the Friends work session crews for their efforts, not only on historic preservation, but also on tasks that helped the railroad operation, such as painting the depot, landscaping, and construction of a concession car and the new "Tully" caboose. He also thanked the docents for their efforts in 2007.

The commission is making a total capital request for 2008-2009 of \$4,318,080, split 50/50 between the two states.

The 2008 season will open on Saturday, May 24 and end on Sunday, October 19. The railroad will again operate seven days per week with a train from each depot. There will be ten "Cinder Bear" trains and eight "Cumbres Turns" on selected Sundays, plus three "Moonlight" trains.

Finally, Mr. Tennant thanked the members of the CTSMC board for their assistance and support during the past two seasons.

IX. Executive Session

The board entered into executive session.

M/S Fowler/Ross that the full board of directors approve and ratify the actions of the Executive Committee regarding a safety violation at the 2007 work sessions. **Motion passed, 12-4.**

The board recessed for the day. Chairman Craine reconvened the board on Saturday, October 27 at 8:05 a.m.

X. Review of Board of Director Legal Duties and Responsibilities

Chairman Craine distributed documents related to the legal duties and responsibilities of directors, the organization's chief financial officer, and the Executive Committee and Governance and Nominating Committee charters. After reviewing these documents with the board and summarizing the general legal duties and responsibilities of a director of a non-profit corporation, he asked the Governance and Nominating Committee to undertake a review of these documents and recommend any changes deemed necessary at the March board meeting. Further, he asked the Governance and Nominating Committee to recommend the necessary changes to the by-laws regarding the Executive Committee in order for the by-laws to conform to his proposed Executive Committee charter.

Chairman Craine also distributed a draft Finance and Audit Committee charter, and asked Treasurer Sterosky and Director Lock to review it before review by the Governance and Nominating Committee.

XI. Nominating Committee Functions

Chairman Craine reported that Director Smalley informed him that many members of the Nominating Committee are up for re-election. Director Smalley recommended that an interim Nominating Committee be convened in order to handle nominations for the 2008 Board of Directors election. Chairman Craine recommended that Jim Herron chair the interim committee, with committee members to possibly include Directors Smith, McMullen, Lowrance and Lee.

M/S Yockey/Sterosky to appoint an interim Nominating Committee chaired by Director Herron. **Passed Unanimously.**

XII. Report on Business Management Processes and Software Solutions

Director Smith reported that the Grant Writing Committee has identified some excellent opportunities to apply for grant funding to enhance our business management and software solutions. In order to pursue these opportunities, we need to assess our needs and the potential solutions available to us. Director Lowrance stated that there is an acute need to implement infrastructure and processes to control project expenses, and described his desire to have an Internet-based system for tracking all aspects of individual projects. Chairman Craine added that our membership records also need improving.

Director Smith proposed to undertake an assessment in conjunction with the Projects Committee, and to make recommendations to the board or to the Executive Committee prior to the March board meeting.

M/S McMullen/Pyzel to authorize the expenditure of up to \$5,000 to investigate upgrading our information technology processes. **Passed unanimously.**

XIII. Development Committee Report

Director Ross presented the Development Committee report. ACNGS I has \$132,887 in cash on hand. Regarding ACNGS II, pledges to date amount to \$486,460. Cash contributions to date amount to \$70,535, for a total of \$556,995. The total amount set aside to the ACNGS endowment is \$89,268.

Director Ross noted that only 17% of the Friends members have pledged or contributed to the ACNGS II campaign. In order to improve participation, we will send a letter to non-contributing members and we intend to hold regional meetings for members in Denver, Albuquerque, Texas, Illinois, and Northern and Southern California.

Director Ross described the outstanding participation of the Chama and Antonito area merchants, of which 39 have pledged or contributed a total of \$42,450.

Finally, Director Ross reminded the board that each individual board member is being counted on to contact friends and associates about the campaign.

Director Clark reported for the Grant Writing Group. Regarding ACNGS II, 18 requests for a total of \$109,500 have been made to private foundations, and eight requests for a total of \$45,000 have been made to corporate foundations. Many foundations do not accept requests for general campaigns, so seven requests for a total of \$1,249,382 have been made for specific projects.

Director Clark attended an event for foundations where she made a presentation on behalf of the Friends. Her presentation was well received, and three foundations stated that if we could raise \$1 million this year in pledges or contributions, then we would be eligible to apply for grants in the amount of \$500,000 in 2008.

Director Clark also reported on the Chama visitor center project. With grants that have been requested—including \$500,000 from the New Mexico transportation department--and the 25% of ACNGS II funds allocated to the visitor center, she believes that it could be possible to break ground in 2009. She noted the presentation on the RVC recently made to the Commission, and the Commission's approval of a general resolution in support of the RVC.

XIV. Interpretation Committee Report

Director Yockey presented the report. Director Clark has been added to the committee as a special advisor with respect to the Chama visitor center. Ongoing projects include developing an overall interpretive plan, completion of the Cumbres kiosk, completion of the telegraphic office in the Chama depot, the exhibit boxcar and passenger cars, and the docent program.

Director Yockey reported that we need clarity with respect to ongoing questions that arise, such as what to do about the remnants of the movie set at Lobato. He also noted that there is a need to establish a maintenance program for interpretive displays.

Director Yockey then reported on the docent program. Once again we were able to provide at least one docent on every train this season. Six new docents were added to the roster this year. Docents provided a total of 6,170 hours of service.

XIV. Projects Committee Report

Director Lowrance presented the report. As of the June board meeting the committee membership was still to be determined. Since then, the committee has been constituted as follows: Director Lowrance, chair; Ted Smith, Craig McMullen, John Engs, Art Randall, Bob Ground, Bob Tully, Jim McKee, Don Bayer (Chama coordinator), Jim O'Keefe (Antonito coordinator), and Bob Craine and Bill Lock as ex officio members.

Among the tasks to be undertaken by the committee are improving our project tracking, reporting and expense control systems, investigating the purchase of project management software solutions, and making the rolling stock condition assessment data available.

XV. Railroad Asset Assessment Report

Director Ross presented the report. Regarding the Unit Design master plan study, the Friends, at the request of the commission, put together a response to the study. An outgrowth of this activity is that the commission wishes to put together an assessment of all of the railroad's assets. It would encompass all of the railroad's historic assets as well as revenue-generating assets. One purpose of this would be to help determine funding priorities. The Friends will support the commission's efforts and Mr. Craine noted that what the commission wanted to do was consistent with the Friends' obligations under the new Triad Agreement.

XV. Covered Storage Discussion

Director Fowler related discussions and proposals that have circulated regarding the possibility of covered storage for the historic car fleet. President Tennant reported that the commission and the management company have made it clear that erecting covered storage in the historic yard is not an acceptable option at this time.

Director Fowler proposed that we erect a demonstration car shed over the rip track in Chama. Director Tully said that the Projects Committee has identified four potential sites in Chama for covered car storage, and one in Antonito on our property. The biggest problem is that most of these sites do not have track. Mr. Craine asked Mr. Fowler to continue gathering information for this potential project.

XIV. Adjournment

The meeting was adjourned at 11:26 a.m.

Respectfully submitted,

Curt Bianchi, Secretary