

MINUTES

BOARD OF DIRECTORS MEETING OF THE SAN DIEGO & ARIZONA EASTERN RAILWAY COMPANY (Virtual WebEx Meeting)

July 28, 2020

A meeting of the Board of Directors of the San Diego & Arizona Eastern (SD&AE) Railway Company, a Nevada corporation, was held virtually via WebEx on July 28, 2020, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Wayne Terry, Jared Gooch, and Matt Domen.

Others in attendance included:

San Diego Metropolitan Transit System (MTS): Tim Allison, Erin Dunn, Karen Landers
Baja California Railroad (BJRR): Manuel Hernandez
Pacific Southwest Railway Museum (PSRM): Diana Hyatt
Other: R. Mitchel Beauchamp, Christina Jones

1. Approval of Minutes

Mr. Domen moved to approve the Minutes of the January 14, 2020, SD&AE Railway Board of Directors meeting. Mr. Gooch seconded the motion, and it was unanimously approved. (The April 7 meeting was cancelled.)

2. Statement of Railway Finances

Ms. Dunn reviewed the Statement of Railway Finances for the period ending June 30, 2020 (attached to the agenda item). Ms. Dunn stated there was a significant income of almost \$2 million from the sale of property. Ms. Landers added that upon the sale of the property, one of the MTS Board members designated that they wanted the money to be used for projects in the San Ysidro area. She clarified that although those earmarked funds are housed in the SD&AE reserve, a specific project for its use has not yet been identified.

Action Taken

Informational item only. No action taken.

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

Mr. Domen reviewed the SD&IV Periodic Report for activities for the first and second quarters of 2020 (attached to the agenda item).

Mr. Terry stated that now that the absolute block is in effect on the Blue Line between San Ysidro Yard and Palomar Siding, he has instructed trolley operations personnel to conduct testing once a month to confirm that all systems are functional.

Action Taken

Informational item only. No action taken.

4. Report on Pacific Southwest Railway Museum Operations

Diana Hyatt reviewed the report attached to the agenda item.

Action Taken

Informational item only. No action taken.

5. Report on the Desert Line

Manuel Hernandez reported that in the month of July, BJRR did some work on Tunnel No. 8, which included clearing rocks so there is access (Mr. Hernandez will forward pictures to staff that were taken at the time). FRA Safety Office personnel made a visit regarding processes—especially in Ocotillo and near the Museum. The FRA made some recommendations that BJRR will attend to, and Mr. Hernandez will give staff an update on the status via e-mail.

Mr. Hernandez stated that BJRR received a quote in relation to the cost of installation for equipment at Tunnel No. 4. He added that the cost for improvements on the Mexican side of the border would be around \$10 million (civil work, construction of roads, etc.). The cost on the US side of the border is estimated at approximately \$2 million. Mr. Hernandez will forward a copy of the quote to Ms. Landers.

Mr. Hernandez stated that there was no other activity to report.

Action Taken

Informational item only. No action taken.

6. Real Property Mattersa. Summary of SD&AE Documents Issued Since January 14, 2020

Mr. Allison reported that the following documents were processed since the January 14, 2020, SD&AE Board of Directors meeting.

- S200-20-728: Right of Entry Permit to Swinerton Builders to construct an at-grade crossing on the Coronado Branch at E Street in the City of Chula Vista.
- S200-20-729: Right of Entry Permit to Hal Hays Construction, Inc. to construct a water pipeline at Elm Street in the City of San Diego.
- S200-20-732: Right of Entry Permit to New Way Tree Service to perform landscape maintenance along the Orange Line in the City of La Mesa.
- S200-20-733: Right of Entry Permit to HP Communications, Inc. to construct an underground fiber-optic line at Moss Street in the City of Chula Vista.
- S200-20-734: Right of Entry Permit to Navy Region Southwest for the 34th Annual Bay Bridge Run/Walk event.
- S200-20-738: Right of Entry Permit to Level 10 Construction, LP, to construct a residential building at 14th Street and Commercial Avenue in the City of San Diego.

- S200-20-741: Right of Entry Permit to SDG&E to construct an underground electric crossing at E Street and an aerial electric crossing south of E Street on the Coronado Branch in the City of Chula Vista.

Action Taken

Informational item only. No action taken.

7. Board Member Communications

There were no Board member communications.

8. Public Comments

Mitch Beauchamp provided public comments (see attachment).

9. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on Tuesday, October 6, 2020.

10. Adjournment

The open meeting was adjourned at 9:20 a.m.

CLOSED SESSION (TAKEN OUT OF ORDER)

The Board convened to Closed Session at 9:23 a.m. (via Cisco Meet Me conference call)

- 6b. CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54956.8
Property: Railroad Easement Over Portions of Assessor's Parcel Numbers (APNs) 618-010-26-01, 31-00, and 32-00; 676 Moss Street, Chula Vista, California
Agency Negotiators: Sharon Cooney, Chief Executive Officer; Karen Landers, General Counsel; and Tim Allison, Manager of Real Estate Assets
Negotiating Parties: SFL – Moss Street, LLC
Under Negotiation: Price and Terms of Payment

Closed Session was adjourned at 9:32 a.m.

Oral Report of Final Action Taken in Closed Session

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



 President



 General Counsel

Attachment: Mitch Beauchamp's Public Comments

Thank you for this opportunity to discuss the Desert Line contract. As you know, a group with which I am associated opened the rail line in 2006 and we were able to export from Mexico ri-bar, as well as massive exportation of sand to the Campo facility. Unfortunately, the effort was taken over by a cabal from Las Vegas which not only destroyed the corporate organization but also did similar damage on the Mexican portion of the rail line.

One of the major problems with the operation of the line is the interference by government agencies. The 20-year mess by the PAN administration on the Mexican portion of the line is due to the corruption of Mexican officials to exact tribute to support a bloated, parasitic and redundant organization that was established to manage the assignment of the line from the central government. The recent mis-accounting of the \$20 million grant to upgrade the line is the latest of these fiascos.

The Desert line has been the red-headed stepchild of the MTDB/MTS system. When my group had control of the situation, under a reasonable contract with a minimum fee and percentage, the line was opened and operating. But the imposition of a \$1 million minimum fee was a stupid attempt by the past MTS CEO to show some return for this constant burr in his saddle. Through the reams of litigation and bankruptcies, the present Desert Line contractor is stuck with the reality of now catching up with a \$1 million payment, which it obviously does not have. Extensions of the 1 January due date for the first half-million; and now 1 July for the second half-million, are met with pleadings for extensions and what are obdurately disingenuous justifications. Clearly the contractor has no ability to pay this minimum fee, much less following through with the other pie-in-the-sky demands of the contract, based upon MTS's normal cost estimating under Davis-Bacon criteria. But seeing the potential to lose a million bucks seems like malfeasance by not running out the payment deadline in desperation.

But this fiasco must stop and this contract ended. It is unfortunate that the prior payments by the contractor have no recourse. But there seems to have been no plan in the first place, just great aspirations.

I ask the present MTS organization to terminate this contract and be prepared to sell the Desert line to a private party, so that the rail line can be opened, and real, 24-hour commerce returned to the region.

The acquisition of the line system from Southern Pacific had the obligation as a common carrier to keep the eastern freight railroad open. MTS has not done this. Having a single Class I carrier serving San Diego is not in the best interests of competition and movement of goods. The vulnerability of the coast rail line has been already seen at Del Mar and San Clemente.

Moreover, this line is a unique, international railroad and involved two nations, it is not some parochial, historic remnant.

R. Mitchel Beauchamp

28 July 2020