

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

July 15, 2014

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 July 15, 2014, at 9:00 a.m.

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

MTS staff:	Erin Dunn, Tim Allison, Karen Landers, Wayne Terry, Mark Olson
Pacific Southwest Railroad Museum:	Diana Hyatt
Pacific Imperial Railroad (PIR):	Chas McHaffie, Donald Stoecklein
El Lindero:	Victor Celis
Trains Magazine:	Don Jones
Baja Rail:	George Gonzalez

1. Approval of Minutes

Mr. Domen moved to approve the Minutes of the April 15, 2014, SD&AE Railway Board of Directors meeting with one correction to add Diana Hyatt as in attendance representing the Pacific Southwest Railroad Museum. Mr. Jones seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Erin Dunn presented the statement of railway finances for fiscal year ending June 30, 2014 (see the attachment to the agenda item). She stated that the audit will be ongoing for the next several months, so the numbers are subject to change.

Mr. Jablonski asked about the drainage problems on the Main Line Drainage Improvement Project (Orange Line at Hill Street) and if staff has contacted Enterprise about issues with reconstruction on the wall. Ms. Landers responded that there are concerns about Enterprise's construction not accommodating Cooper freight-loading capacity. She added that it may not provide any benefit to us—we may still have to go in and do our project. Tim Allison added that the carport has been removed. He stated that SANDAG engineers are working on what is still needed structurally, and Ms. Landers has given direction to outside attorneys to deal with this issue. Mr. Jablonski instructed staff to keep the Board apprised of this situation.

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

Mr. Domen presented the Periodic Report of the SD&AE Railway Company for activities for the 2nd quarter of calendar year 2014 (see the attachment to the agenda item).

Mr. Jablonski asked if there are any issues with the work being done at San Ysidro. Mr. Domen responded that there are no issues and the project is moving very smoothly with no effect on operations. He added that he is very impressed with the contractor and the job being done. Mr. Jablonski requested that MTS be kept informed of all progress.

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 Operations

Diana Hyatt submitted a report for the Museum at the meeting (attached). Ms. Hyatt noted one correction within the Museum's report on page 1 in the second sentence. It should read "Total income from SD&AE property for second quarter ..." (not "first" quarter).

During the second quarter of 2014, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 50 passenger trains carrying 2,794 passengers with no FRA reportable accidents or injuries. Total income from SD&AE property for first quarter, 2014 was \$44,533.00. Our check for \$891 will follow under separate cover. By comparison, PSRM carried 1,901 passengers during the second quarter of 2013 and total income from SD&AE property was \$18,781.96.

In reference to the last paragraph on page 2 (shown below) of the Museum's report, Ms. Landers requested that Ms. Hyatt forward a copy in writing of the interim 24-hour dispatching procedures that were agreed upon between the Museum and Pacific Imperial Railroad (PIR).

At the meeting of this board in April of this year I referenced that PSRM's operating agreement with SD&AE expired in December, 2012 and currently self-renews on a monthly basis. From that meeting Karen Landers encouraged PIR and I to meet and discuss our plans for mutual cooperation pertinent to the use of the railroad. PSRM's Director of Operations Mike Edwards, Don Stocklein and I met in May. At that meeting it was determined that PSRM was ready and capable of establishing 24 hour dispatching that would serve the museum in the interim and that was fully capable of serving the needs of PIR in the future if they so desired. From the agreements reached at that meeting, PSRM began issuing its own track warrants through its dispatching department. PSRM has also installed proper signage at both Highway 94 grade crossings with a toll free number that forwards directly to the dispatcher on call. The previously posted phone number had been maintained and answered by CZRY Police Department personnel.

Action Taken

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

5. Report on Desert Line

Chas McHaffie reviewed PIR's report (attached to the agenda item). Donald Stoecklein added that PIR continues to have a good working relationship with Mexico—specifically the Lindero property owners. Mr. Stoecklein noted that Victor Celis was present at the meeting. He stated that PIR's intention is to move forward with a transaction with Lindero to do whatever is necessary to operate train cars on those two miles of the Desert Line. Mr. Stoecklein also noted that George Gonzalez, representative with Baja Rail, was present and that they have had numerous conversations. He stated that PIR will now focus on the repairing the bridges with the goal of moving trains on the Desert Line to the extent that PIR can interact with Mexico and if they can't, they will find alternatives.

Mr. McHaffie stated that PIR submitted a Desert Line Reconstruction Plan Supplement, and Ms. Landers responded that MTS is reviewing that Plan. Mr. McHaffie added that PIR tendered a \$500,000 payment to MTS last week. He reviewed the remainder of the report.

Mr. Stoecklein referenced the last item in PIR's report ("c. Rent/Lease Payment" on page 5-6 of the agenda item). Mr. Stoecklein stated that people were curious as to why PIR delayed its quarterly payment to MTS, and that it was due to the letter to MTS from Congressman Duncan Hunter's office suggesting that MTS may not have had legal right to create the lease. Based on that, Mr. Stoecklein stated that PIR was concerned about writing a check for \$500,000 without analyzing that allegation to determine whether to make that payment. He reported that is why PIR delayed making the payment. Based on a letter in response to the missed payment from Ms. Landers to PIR and PIR's own analysis, PIR concluded that it would make the payment. Ms. Landers added that PIR's contract is currently in good standing.

Mr. Jablonski reiterated that MTS will be reviewing the Desert Line Reconstruction Plan Supplement and hopefully approving it so that work can begin. Mr. Stoecklein added that PIR will be meeting with J. L. Patterson because PIR has spent \$601,000 with J. L. Patterson so far and was to receive some additional materials as it relates to J. L. Patterson's report. He added that there is an outstanding balance of \$42,000 that PIR will withhold until it gets the balance of the J. L. Patterson report.

Action Taken

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

6. Real Property Matters

➤ Summary of SD&AE Documents Issued Since April 15, 2014

Since the April 15, 2014, SD&AE Railway Company Board of Directors meeting, the documents described below have been processed by staff.

- S200-14-590: Right of Entry Permit to Helix Water District to perform various inspection and maintenance activities on SD&AE right-of-way.
- S200-14-596: Right of Entry Permit to Flatiron/H&H (a joint venture) to construct the South Line Freight Improvement Project.

- S200-14-597: Right of Entry Permit to the City of La Mesa for its Flag Day Parade.
- S200-14-598: Right of Entry Permit to Navy Region Southwest Morale, Welfare and Recreation Department for its 28th Annual Bay Bridge Run/Walk event.
- S200-14-599: Right of Entry Permit to BriceHouse, Inc. to construct a temporary shuttle drop-off location at the south end of the San Ysidro Yard.

Action Taken

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

7. Board Member Communications

There were no Board member communications.

8. Public Comments

There were not public comments.

9. Next Meeting Date

The next meeting of the SD&AE Board of Directors is on Tuesday, October 21, 2014.

10. Adjournment

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



President



Legal Counsel

Attachment: Report on Pacific Southwest Railway Museum Operations (submitted at the meeting)



Pacific Southwest Railway Museum

La Mesa Depot 4695 Nebo Drive La Mesa, CA 91941 619-465-7776

July 10, 2014

SD&AE Board
c/o Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

Re: Second Quarter 2014

Dear SD&AE Board:

During the second quarter of 2014, utilizing all volunteer crews, the Pacific Southwest Railway Museum ran 50 passenger trains carrying 2,794 passengers with no FRA reportable accidents or injuries. Total income from SD&AE property for first quarter, 2014 was \$44,533.00. Our check for \$891 will follow under separate cover. By comparison, PSRM carried 1,901 passengers during the second quarter of 2013 and total income from SD&AE property was \$18,781.96.

Passenger ridership by comparison to the same quarter in previous years:

- 2,882 passengers during the second quarter of 2012
- 2,434 passengers during the second quarter of 2011
- 1,977 passengers during the second quarter of 2010
- 1,606 passengers during the second quarter of 2009
- 2,541 passengers during the second quarter of 2008

Passenger ridership figures have significantly improved over last year's and are on par with those of 2012. This is attributed partially to one special event during this quarter, the museum's annual Bunny Trains which attracts a large number of families with young children. The spring weather this year was also very agreeable and attracted a number of visitors. The other special event held during this time period was the Chefs Fire Up the Iron Horse event however, since this event does not include a train ride in the base ticket price it was only a minor contributor to train ridership.

PSRM continues to maintain both signalized railroad crossings within our right of way limits performing the monthly and quarterly inspections. PSRM also performs twice-weekly track