

MINUTES

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

January 14, 2020

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 14, 2020, at 9:00 a.m.

The following persons, constituting the Board of Directors, were present: Wayne Terry (for Paul Jablonski who was absent), Jared Gooch, and Matt Domen.

Also in attendance were members from San Diego Metropolitan Transit System (MTS): Tim Allison, Erin Dunn, and Karen Landers.

1. Approval of Minutes

Mr. Domen moved to approve the Minutes of the October 8, 2019, SD&AE Railway Board of Directors meeting. Mr. Gooch seconded the motion, and it was unanimously approved.

2. Statement of Railway Finances

Ms. Dunn reviewed the Statement of Railway Finances for the period ending December 2019 (attached to the agenda item).

Ms. Landers reiterated that some legal expenses are anticipated in the future for litigation related to the removal of old tracks. Mr. Allison added that a check was received in the amount of \$1,994,000 for the sale of property in San Ysidro, and the funds were added to the SD&AE budget.

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 fourth quarter of 2019 (attached to the agenda item).

Mr. Allison reported that the tenant at Moss Street (Kleen Blast) is leaving at the end of the year. There is an industry track spur that serves a parcel north of Moss Street in Chula Vista. There is an existing easement held by SD&AE that the property owner wants MTS to quit claim once the property is rezoned from industrial to residential. When the property entitlements are obtained from Chula Vista, the owner intends to terminate existing tenancies on the site. One of the tenants currently takes service from SD&IV. Once the tenant's lease is terminated, there will no longer be a need to service the property. The owner will need to remove the spur track to build the residential project, which will impact the existing freight siding where the spur connects to the siding by a railroad switch. That switch will need to be removed and rail repaired to finish the construction of the project.

Mr. Allison spoke with the property owner who anticipates having tenants through October. Engineering document review will likely take place over the next six months. The easement will need to be quit claimed and valued, which is an action that could go to the SD&AE Board in April or July.

Mr. Domen added that SD&IV has been helping to relocate Kleen Blast to a new location, as well as working with another company out of Oregon to supply the shipyards and conduct transload at the border. He clarified that the tenant on the L Street team track has relocated near the border.

Mr. Terry reported that the absolute block arrangement from the border to Palomar has been tested by the Federal Railroad Administration (FRA). FRA representative Chad Tisdale will be sending a letter to Mr. Terry with witness approvals. That letter will be submitted to Bill Mullins in Washington and added to the existing waiver. Once approved, Mr. Terry requested that the system be used monthly or bimonthly to ensure that it is working properly.

Action Taken

Informational item only. No action taken.

4. Report on Pacific Southwest Railway Museum Operations

Ms. Landers reported that she went to the Centennial celebration in November, and it was very well attended. Mr. Gooch was in attendance as well.

Action Taken

Informational item only. No action taken.

5. Report on the Desert Line

Ms. Landers revisited the status of the progress on building a new Customs facility near the border. During the site visit with California Border Patrol (CBP) and its NII equipment vendors, NII determined that it was feasible to build an NII machine at the proposed location at the border tunnel, which is CBP's preferred location. Two vendors submitted rough budget estimates to Baja Railroad (BJRR) in September 2019. The next steps are for BJRR to select a vendor and submit plans to CBP. So far to date, there has not been any work done by BJRR.

Ms. Landers informed the Board that BJRR did not make its January 1 payment to MTS; therefore, MTS sent BJRR a 10-day notice to cure letter by January 13. BJRR then requested an extension to January 31, which was granted by MTS. This issue is going as a closed session agenda item to the MTS Board of Directors at its January 16 meeting. BJRR has been informed that permission is being requested for the CEO to have the discretion to terminate the contract if payment is not received by January 31. Ms. Landers stated that the goal is to see this project happen and not to prematurely default; however, BJRR will need to start work on the project.

- Public Speaker: Reena Deutsch

Ms. Deutsch stated that it is her understanding that BJRR has taken steps to discourage trespassers on the Carrizo Gorge section of the Desert Line by locking gates to block tunnels and arrange for periodic enforcement. Ms. Deutsch added that it is easy to find ways around those blocked tunnels, and it is commonly known that security only issues warnings or they are often absent. She stated that hordes of people manage to get to the Goat Canyon trestle.

Ms. Deutsch stated that her main concern is that one of the bypasses around the tunnels leads to the tracks beyond the tunnels, and this detour passes through a sensitive archeological site, which has been the target of damage and looting. Access to the shortcut is via railroad property.

Ms. Deutsch stated that the railroad unwittingly contributes to the ongoing defilement of priceless historic resources and theft of artifacts by not better enforcing its own rules and regulations.

Ms. Deutsch reported that presently, the Dos Caballos region of the Desert Line is one of the illegal track crossings. It is some distance from the site of the former Dos Caballos railroad station. Over the years, rocks and bricks have been manipulated by visitors to allow motor vehicles to cross over the tracks at the station site. After the illegal crossing, dirt roads lead to the tracks just west of Tunnel 20 thereby avoiding Tunnels 20 and 21, which are currently blocked by locked gates. This route goes through and to SD&AE's engineering and survey camp and to a construction camp. She added that there are fragile remnants of structures and artifacts worth saving.

Ms. Deutsch has encountered many cars, trucks, and motorcycles using the route headed to the Goat Canyon trestle. During a hike last year, Ms. Deutsch's group was accosted by a man who had parked his truck in the survey camp, and they saw a large collection of artifacts on the hood of his truck.

Ms. Deutsch suggested that a barrier be constructed that could block vehicles from illegally entering the short section of track crossing at Dos Caballos (Mile 109.7), which would be a simple low-cost measure to protect this area. It was agreed that Ms. Deutsch will give Ms. Landers a tour of the area.

Action Taken

Informational item only. No action taken.

6. Real Property Matters

a. Summary of SD&AE Documents Issued Since October 8, 2019

Mr. Allison reported that the following documents were processed since the October 8, 2019, SD&AE Board of Directors meeting.

- S200-19-700: Right of Entry Permit to Par Electric Contractors to install aerial electric facilities at and near the Palomar Trolley Station in the City of Chula Vista.

- S200-19-707: Right of Entry Permit to AT&T California to construct an aerial fiber-optic line near Hill Street in the City of El Cajon.
- S200-19-721: Right of Entry Permit to Brad L. Stoner Painting, Inc. to paint the side of an adjacent building at Anita Street in the City of Chula Vista.

Action Taken

Informational item only. No action taken.

7. Board Member Communications

Mr. Terry reported that there is an agenda item going to the MTS Board of Directors at its next meeting to remove catenary poles in the San Ysidro Yard.

Mr. Domen received an e-mail stating that the underground storage tanks at the San Ysidro Yard need to be removed by 2023. Mr. Allison added that the process to remove them should start immediately as it will take some time to complete.

8. Public Comments

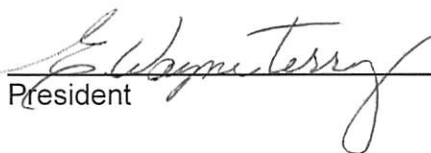
There were no public comments.

9. Next Meeting Date

The next meeting of the SD&AE Railway Company Board of Directors is on Tuesday, April 7, 2020.

10. Adjournment

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



President



General Counsel