ARRC BOARD OF DIRECTORS SPECIAL MEETING

AGENDA

June 27, 2019 – 8:30 a.m. to 10:00 a.m.
Executive Conference Room – Some Directors via Teleconference
Anchorage, Alaska

I. CALL TO ORDER – 8:30 a.m.

1. This special meeting has been called for the specific purpose of discussing, and, if deemed appropriate, taking action to approve (i) Resolution No. 2019-16 – Relating to Approval of the Collective Bargaining Agreement between the Alaska Railroad Corporation and the American Train Dispatchers Association; (ii) Resolution No. 2019-24 – Relating to the Master Agreement Between the Alaska Railroad Corporation and The Alaska to Alberta Railroad Development Corporation; (iii) Resolution No. 2019-25 – Relating to Funding to Purchase Van Loaders for TOFC Operations (AFE No. 10777); and (iv) Amendment to Option Provisions of Lease Contract No. 20180.

II. ESTABLISH QUORUM

III. SAFETY BRIEFING

IV. CHAIR COMMENTS

V. ADOPTION OF AGENDA

VI. CONFLICT OF INTEREST DISCLOSURES

VII. OPPORTUNITY FOR PUBLIC COMMENT (for agenda items only)

VIII. NEW BUSINESS <u>(portions to be held in Executive Session)</u>

A. <u>American Train Dispatchers Association (ATDA) Collective Bargaining Agreement</u>

1. Resolution No. 2019-16 – Relating to Approval of the Collective Bargaining Agreement between the Alaska Railroad Corporation and the American Train Dispatchers Association

B. <u>ARRC—Alaska to Alberta Railroad Development Corporation Master Agreement</u>

2. Resolution No. 2019-24 – Relating to the Master Agreement Between the Alaska Railroad Corporation and The Alaska to Alberta Railroad Development Corporation

C. <u>Funding for TOFC Van Loaders</u>

3. Resolution No. 2019-25 – Relating to Funding to Purchase Van Loaders for TOFC Operations (AFE No. 10777)

D. <u>Amendment to Option Provisions of Downtown Edge Ground Lease</u>

4. Amendment to Option Provisions of Contract No. 20180

IX. DIRECTOR/CEO/STAFF COMMENTS/OPPORTUNITY FOR PUBLIC COMMENT (for agenda items only)

X. ADJOURNMENT

Adopted:

Resolution No. 2019-16

Relating to Approval of the Collective Bargaining Agreement between the Alaska Railroad Corporation and the American Train Dispatchers Association

WHEREAS, the Alaska Railroad Corporation (ARRC) and the American Train Dispatchers Association (ATDA), have recently completed negotiations on the terms and conditions of a new collective bargaining agreement; and

WHEREAS, the collective bargaining agreement has been ratified by the ATDA members and must be approved by the ARRC Board of Directors (Board) before it may become effective; and

WHEREAS, ARRC and the ATDA have agreed that the collective bargaining agreement will become effective upon approval by the Board of Directors; and

WHEREAS, the substantive terms and conditions of the proposed collective bargaining agreement have been disclosed to the Board during Executive Session; and

WHEREAS, the Board has considered the terms and conditions contained in the new collective bargaining agreement and the presentation by management at the June 27, 2019 Special Board Meeting.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the new ATDA collective bargaining agreement terms and conditions and authorizes the President and CEO or his designee to execute the agreement with the ATDA.

Adopted:

Resolution No. 2019-24

Relating to the Master Agreement Between the Alaska-to-Alberta Railroad Development Corporation and the Alaska Railroad Corporation

WHEREAS, the Alaska Railroad Corporation (“ARRC”) owns, operates and maintains a contiguous railroad and other transportation and utility corridor between Seward and North Pole, Alaska; and

WHEREAS, AS 42.40.460 provides that ARRC may delineate a proposed transportation and utility corridor between ARRC’s existing railroad and utility corridor and the border of Alaska and Canada; and

WHEREAS, AS 42.40.460 further provides for a process (the “460 Process”) by which ARRC may acquire land owned by the State of Alaska that is located within said transportation/utility corridor upon application to the Alaska Department of Natural Resources (“DNR”); and

WHEREAS, the Alaska-to-Alberta Railroad Development Corporation (“A2A Rail”) has proposed a project whereby it proposes to construct and operate a railroad line from Northern Alberta to Alaska that would allow it to transport bitumen and other commodities from Alberta to ARRC’s existing system for transport to tidewater ports in Alaska, which rail line would also tie into existing Canadian rail lines which connect to rail lines in the contiguous United States (the “Project”); and

WHEREAS, A2A Rail proposes to fund the Project, including the 460 Process and the permitting, construction, maintenance and operation of the new rail line connecting ARRC’s existing system with the Alaska-Canada border; and

WHEREAS, ARRC and A2A desire to negotiate a series of agreements relating to the Project, including the leasing of the new railroad corridor by ARRC to A2A; procedures related to Project costs incurred by the parties; operation of the new railroad corridor within Alaska; terms pursuant to which freight delivered onto ARRC’s existing system will be transported to Alaska tidewater ports; and, if necessary, terms under which A2A would finance necessary upgrades to ARRC’s existing rail system to handle anticipated increases in freight traffic; and

WHEREAS, ARRC Staff and A2A have negotiated a draft agreement (the “Master Agreement”), in the form of the document attached as Exhibit A to this resolution, which sets out a framework by which the parties will negotiate toward the specific Project-related agreements described above and which states the intent of the parties with respect to such negotiations; and

WHEREAS, ARRC continues to foster economic development for the State of Alaska through railroad operations and management of a railroad and other utility corridor; and

WHEREAS, the Project, if completed, would not only provide significant revenues to ARRC, but also would provide the State of Alaska, its businesses and its citizens with access to a valuable transportation and utility corridor connecting ARRC's existing system with the Alaska-Canada border and, in turn, with Canada and the contiguous United States; and

WHEREAS, the Board of Directors finds that entering into the Master Agreement on the terms and conditions set forth in Exhibit A to this resolution is in the best interest of ARRC and the State of Alaska because of the potential benefits of the Project outlined above.

NOW, THEREFORE, BE IT RESOLVED that the ARRC Board of Directors hereby approves the execution by ARRC of a Master Agreement with A2A Rail in substantially the same form as Exhibit A hereto; and

NOW, THEREFORE, BE IT FURTHER RESOLVED that the ARRC Board of Directors hereby directs and authorizes the President and CEO, or his designee, to take such actions as are reasonably necessary to execute said Master Agreement and to meet all obligations of ARRC thereunder; provided that to the extent AS 42.40, ARRC Board Rules and/or the ARRC Approval Authority Guide require the Board of Directors to approve particular agreements and undertakings related to the Project, including but not limited to those related to the leasing of land, the Board hereby expressly reserves said authority and directs ARRC Management Staff to submit any such matters to the Board for its consideration.

______ [_], 2019

MASTER AGREEMENT

By and Among

THE ALASKA RAILROAD CORPORATION

THE ALASKA TO ALBERTA RAILROAD DEVELOPMENT CORPORATION

FOR THE ALASKA TO CANADA RAIL PROJECT

Table of Contents

RECITALS

ARTICLE 1: PRINCIPLES

ARTICLE 2: BENEFITS OF THE ALASKA TO CANADA RAIL PROJECT

ARTICLE 3: ALASKA TO CANADA RAIL PROJECT WORK

ARTICLE 4: OTHER PROJECT ENABLING TERMS

ARTICLE 5: OTHER UNDERSTANDINGS

ARTICLE 6: MISCELLANEOUS

THIS MASTER AGREEMENT is made this [__] day of _____, 2019 ("Effective Date") by and among:

(1) The Alaska Railroad Corporation ("ARRC"); and

(2) The Alaska to Alberta Railway Development Corporation ("A2A Rail").

ARRC and A2A Rail may hereinafter be collectively referred to as the "Parties" and separately as a "Party".

RECITALS

(A) In 2004, the State of Alaska passed legislation, SB 31, codified in AS 42.40.460 and AS 42.40.465, to encourage the expedited construction of a railroad to connect Alaska to the North American railroad system.

(B) ARRC is a state-owned corporation operating passenger and freight rail service within Alaska, with rail-barge connections to the Lower 48. Pursuant to AS 42.40.460 and AS 42.40.465, the ARRC has authority to apply to the Alaska Department of Natural Resources ("DNR") for a 500-foot transportation corridor to complete railroad service to the Alaska and Canada border and to purchase assets in Canada to connect the North American rail system to the Alaska Railroad.

(C) A2A Rail is a Canadian development company that proposes to connect Canadian rail lines with the Alaska Railroad at North Pole, Alaska (or at Delta Junction, Alaska, if the ARRC has completed its permitted expansion to Delta Junction) ("Project"). Over the past few years, A2A Rail has contracted with the world's leading railroad engineering and environmental consulting firms, actively engaged with indigenous communities in both Alaska and Canada, filed an application with the United States State Department to secure a Presidential Permit for the border crossing, entered into a Project Undertaking Reimbursement Agreement with the United States Customs & Border Protection Agency, and begun the assemblage of base line data needed for the Project. A2A Rail will soon commence the pre-filing process with the United States Surface Transportation Board to secure a Certificate of Public Convenience and Necessity. A2A Rail intends to connect and interchange with the ARRC at the end of its existing mainline at North Pole (or Delta Junction, as noted above), which provides access to ports at tidewater.

(D) In May 2017, the Parties entered into a Memorandum of Understanding to assist each other in the conceptualization and design of the Project whereby the Parties agreed that A2A Rail would have the responsibility of determining the desired location for the Project.

(E) In October 2017, Governor Walker sent a letter of support for the Project to the United States Department of State and on February 13, 2019, Governor Dunleavy wrote to President Trump expressing his support for A2A Rail's request for a Presidential Permit.

(F) The Parties have entered into discussions as to how they may cooperate with each other to jointly pursue the Project. Accordingly, this Master Agreement establishes certain guiding principles and understandings to support the advancement of the Project and is a precursor to commercial, leasing, and operating agreements between the Parties. The Parties will endeavor to execute these agreements by December 31, 2019.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE 1: PRINCIPLES

1.1 This Master Agreement sets out the guiding principles upon which the Parties wish to advance the permitting, design, construction and completion of the Project. It is understood and agreed that the Legislature, in AS 42.40.460, authorizes the ARRC to acquire state land for a rail corridor. The statute also authorizes the ARRC to enter into agreements with private organizations to facilitate the construction of such a rail corridor. In entering into this Master Agreement, it is the intent of the Parties that this Master Agreement provide a roadmap for how the Parties propose to advance the Project.

ARTICLE 2: BENEFITS OF THE PROJECT

2.1 Advancing the Project Work outlined in Article 3 will jump-start the Legislature's objective of extending the Alaska Railroad to the Alaska and Canada border in order to connect with the North American railroad system.

2.2 The Project, if successful, will provide substantial benefit to the State of Alaska, the Parties, and other stakeholders, including, but not limited to, expanding infrastructure that will facilitate the diversification of Alaska's economy, generating revenue for state and local governments, private and Native corporation land owners, and tribal entities, attracting foreign direct investment into Alaska, and enabling returns on investment to both Parties.

ARTICLE 3: PROJECT WORK

3.1 Execution of the Project involves a phased development process. To advance the Project, the Parties shall promptly proceed in good faith to evaluate the technical, operational, economic, environmental, regulatory, and legal feasibility and costs of the Project by undertaking the activities ("Project Work") outlined in Article 3.2. To accomplish the Project Work, the Parties agree to share information for evaluating the technical, cost, and schedule aspects of the Project in order to assist the Parties in determining whether, how and when to proceed with the Project.

3.2 The Parties hereby agree to collaborate with each other on the following tasks:

3.2.1 <u>Acquire Border Crossing Lease.</u> Securing a border crossing lease is a necessary step in consolidating the transportation corridor between Delta Junction, Alaska and the Canada border. To this end, A2A Rail will submit an application with the DNR to acquire a lease on state lands at the Canada border. A2A Rail will submit a lease application to the DNR by December 31, 2019. ARRC shall submit a letter to DNR in support A2A Rail's efforts in obtaining the border lease from DNR.

3.2.2 <u>Initiate Process to Identify a Transportation Corridor.</u> A2A Rail will continue to conduct an inventory of all existing data related to the transportation corridor between ARRC's existing railroad utility corridor and the border of Alaska and Canada. The parties recognize that ARRC's current railroad utility corridor ends at Eielson Air Force Base in North Pole, Alaska. The parties further recognize that although ARRC holds a federal license to construct and operate an extension of its current railroad utility corridor between North Pole and Delta Junction, Alaska, only small components of that extended corridor have been identified and acquired by ARRC. Therefore, the Project must include a component of identifying and developing a transportation corridor between North Pole and Delta Junction, as well as between Delta Junction and the Alaska-Canada border. This process will include identifying (a) data gaps; (b) environmental and archeological issues; (c) effects on and service to adjacent communities and potential intermodal transportation connections; (d) ways to minimize construction costs; (e) availability of construction materials; (f) safety concerns; and (g) grade and alignment standards. A2A Rail will also develop a GIS and complete a legal description of the proposed transportation corridor and land that can be developed for terminal, station, and maintenance facilities, switching yards, and other purposes necessary for the Project. ARRC shall cooperate with A2A Rail in this effort, including by sharing relevant data and information that could be helpful in identifying a potential transportation corridor from North Pole to the Alaska-Canada border.

3.2.3 Obtain Mineral Closing Order For Transportation Corridor. The Parties acknowledge that obtaining Mineral Closing Orders ("MCO") from DNR along the transportation corridor pursuant to AS 38.05 is essential to ensure that the Project is able to move forward in an expeditious and efficient manner. Once A2A Rail has gathered sufficient information to identify a potential transportation corridor, or segments of a potential transportation corridor, it will begin the process to secure temporary MCOs from DNR. ARRC shall support A2A Rail's effort in obtaining MCOs.

3.2.4 Collaboration on the 460 Process. Alaska Statute 42.40.460 sets forth a process ("460 Process") by which the ARRC can delineate, reserve, and ultimately obtain title to state lands along a transportation corridor between ARRC's existing railroad utility corridor and the border of Alaska and Canada. Once A2A Rail determines that it has sufficient information to satisfy the requirements set out in AS 42.40.460(b), the Parties will jointly initiate the 460 Process. For the reasons stated in Section 3.2.2, above, the 460 Process must include portions of the transportation corridor between North Pole and Delta Junction, as well as between Delta Junction and the Alaska-Canada border.

3.2.5 Negotiate a Cost Sharing Agreement. After executing the Master Agreement, the Parties shall promptly proceed in good faith to negotiate a cost sharing agreement, which will contain the following provisions:

3.2.5.1 Except as expressly stated otherwise in Article 3.2.8, A2A Rail agrees to bear the cost of the Project Work identified in this Article 3. ARRC, in turn, agrees to cooperate with and support the effort to obtain authorizations and permits from federal, state, tribal, and local governments. The cost sharing agreement will contain performance requirements and will terminate if A2A Rail fails to meet certain milestones or stage gates. The cost sharing agreement will also protect A2A Rail's ownership over the engineering and environmental studies that it has generated or will generate to advance the Project. ARRC hereby agrees that the intellectual property, proprietary information, and engineering and environmental work paid for by

A2A Rail is the sole and exclusive property of A2A Rail. A2A Rail, in turn, understands that ARRC may need to retain custody of A2A Rail's intellectual property to secure the transportation corridor and right-of-way. The cost sharing agreement will also provide a timeline and process for A2A Rail and ARRC to jointly develop a budget for Project-related costs associated with ARRC's participation in the Project, including but not limited to costs related to the 460 Process, and a procedure for that budget to be approved by A2A Rail. This budgeting process shall be completed before substantial work takes place with respect to the 460 Process. ARRC will submit invoices to A2A Rail for any Project-related costs that are the responsibility of A2A Rail under this Article 3.2.5.1 and/or under the Cost-Sharing Agreement in accordance with the procedures established in the Cost Sharing Agreement. A2A Rail shall pay to ARRC the invoiced amounts within a reasonable time period to be specified in the Cost-Sharing Agreement, if the invoices are consistent with a budget that has been approved by A2A Rail in accordance with the budget procedures established in the Cost-Sharing Agreement. The foregoing rights and obligations of the parties in this Article 3.2.5.1 are conditioned upon A2A Rail first demonstrating, to ARRC's reasonable satisfaction, that A2A Rail has the financial qualifications to establish a transportation corridor under the 460 Process.

3.2.5.2. *Use of grants.* Any grant received by A2A Rail or ARRC for the benefit of the Project from any private or governmental body shall be applied to reduce costs of the Project.

3.2.5.3 *Remedies*. The Parties will negotiate as part of the Cost-Sharing Agreement commercially reasonable remedies, including remedies in both law and in equity that will apply if one of the parties, in the absence of a material breach of the Cost-Sharing Agreement by the other party, fails to meet its material commitments under the Cost-Sharing Agreement. To guide the parties in developing said remedies, the parties hereby acknowledge and agree that the following actions or omissions by either party are inconsistent with the intent and purposes of the transaction contemplated in this Master Agreement and in the Cost-Sharing Agreement and may cause either party to suffer damages, losses or other harm: (1) failure to initiate, complete or, in the case of A2A, to fund the 460 Process as contemplated in the Cost-Sharing Agreement; (2) election to proceed with the Project without the other party despite the other party's continuing performance under the Cost-Sharing Agreement; (3) failure to proceed with the Project despite the other Party's continuing performance under the Cost-Sharing Agreement, assuming that A2A has adequate funding to continue the Project; or (4) non-mutual termination of the Cost-Sharing Agreement before its expiration date without due cause.

3.2.5.4 *Lease Option Agreement*. Once DNR conveys the transportation corridor and associated rail land across state land identified by the ARRC pursuant to AS 42.40.460(c), it is the Parties' intent that ARRC shall execute a lease agreement with A2A Rail, at A2A Rail's option, in consideration of A2A Rail's expenditures that allowed the ARRC to acquire the transportation corridor from DNR. To memorialize this intent, the Parties will negotiate, as part of the Cost-Sharing Agreement, a lease option agreement. The lease option agreement shall include provisions that effectuate the parties' intent and purposes with respect to the eventual lease agreement, as set forth in Articles 3.2.5.5 through 3.2.5.13, below. The parties recognize and acknowledge that the ARRC Board of Directors must approve the lease option agreement before it can take effect.

3.2.5.5 *Exclusive Grant.* A2A Rail shall be granted the exclusive right to (i) design, build, operate, and maintain a single or multiple track railroad and railroad operations-related telecommunications corridor within the railroad utility corridor granted by DNR; and (ii) construct improvements and facilities necessary for and intended to be used in the operation of a railroad, including fiber optic cables, and other utilities (power, water, and wastewater) along the railroad utility corridor and associated rail land. The exclusive grant to A2A Rail contemplated hereunder shall not include a right to permit, construct or operate any facilities, including but not limited to fiber optic cables, and other utilities (power, water and wastewater) for purposes other than operating a railroad on ARRC land, which right shall be fully retained by ARRC. Notwithstanding the foregoing, the lease option agreement shall require any lease agreement to obligate ARRC to cooperate, as necessary, with public utilities to provide A2A Rail with reasonable access to non-railroad related utility facilities on ARRC land on terms to be determined between A2A Rail and said public utilities. The parties agree that ARRC shall not be responsible for costs associated with delivering said non-railroad related utility facilities to A2A Rail. The parties acknowledge that, notwithstanding the foregoing, A2A Rail shall, under the lease agreement, have the right to enter into leases or permits with utilities to the extent the facilities in question are located on lands not owned by the ARRC. Nothing in the lease option agreement or in any eventual lease agreement shall obligate any fee or rent collected by ARRC for the construction, maintenance and operation of utility facilities in the transportation corridor to be used to reimburse or offset any costs of the Project or of A2A Rail's operation of a railroad.

3.2.5.6 *Term.* The lease option agreement will provide that the lease agreement, if it commences, will be for a term of years for A2A Rail's exclusive right of use, as defined in 3.2.5.5, with said term to commence on the execution of the lease agreement and to end ninety-five (95) years after such commencement date. The lease option agreement also will require the lease agreement to contain a provision stating that A2A Rail shall have the option to extend the term of the lease agreement for five (5) additional ten (10) year terms by notifying ARRC at least one (1) year in advance of the expiration of the initial term and at least one (1) year in advance of the expiration of each subsequent ten (10)-year extended term; provided, however, that during the entirety of any extended term, ARRC shall have the absolute right to terminate the exclusive right of use upon one (1) years' written notice to A2A Rail if the transportation corridor, or any part of it, becomes necessary for ARRC's railroad purposes.

3.2.5.7 *Maintenance, Operation, and Administrative Expenses.* The lease option agreement will provide that the lease agreement to be entered into by the Parties, if and when A2A Rail exercises the option, will require A2A Rail to maintain the railroad utility corridor as required by the United States Surface Transportation Board's decision and all regulatory requirements from the Federal Railroad Administration and/or other local, state or federal regulatory agencies with appropriate jurisdiction. The lease option agreement will further provide that the lease will require A2A Rail to be fully responsible for all activities on the proposed railway and will defend, indemnify and hold ARRC harmless from any and all regulatory and other legal action resulting from A2A Rail's actions and omissions on the portion of the railroad constructed and operated by A2A Rail. The above-described indemnification obligation shall be in addition to, and not in limitation of, any other indemnification obligation on the part of A2A Rail provided for elsewhere in this Agreement, in the Cost-Sharing Agreement, or any other agreements contemplated by this Master Agreement or entered into by the parties in furtherance of the Project.

3.2.5.8 [*Intentionally left blank*.]

3.2.5.9 *Abandonment.* The lease option agreement will provide that the lease agreement will contain a requirement that, should A2A Rail file for abandonment or an equivalent proceeding before the

STB or a legacy regulatory authority of some or all of the leased rail line after construction, A2A Rail shall advocate in such proceeding for the entire contiguous rail corridor subject to said Abandonment proceedings, including areas beyond the A2A Rail lease, to be transferred to ARRC. The lease option agreement shall further provide that any lease agreement will state that if such a complete transfer is not approved by the STB or other regulatory authority, and A2A Rail intends to sell areas of the transportation corridor and/or rail facilities located outside of ARRC land, ARRC shall have a right to purchase said transportation corridor and/or rail facilities for the lesser of (i) consideration matching any bona fide offer made for said transportation corridor and rail facilities (i.e., a right of first refusal); or (ii) fair market value as determined by appraisal.

3.2.5.10 *Sharing of Maintenance, Operation, and Administrative Expenses.* The lease option agreement will provide that, under the eventual lease agreement, ARRC will not be financially responsible for project components beyond its direct control and A2A Rail will be solely responsible for costs associated with the maintenance, operation, and administrative expenses for the railway between North Pole or Delta Junction, as discussed in Article 3.2.2, and the Canadian border. The lease option agreement will further provide that any lease agreement will require that, notwithstanding the foregoing, the parties will, if necessary, negotiate sufficient track rights for ARRC between North Pole and the Canadian Border to enable it to accommodate any moves for ARRC's current and future customers between any location on ARRC's current rail system and any location on the newly-constructed rail line between North Pole and the Canadian border, including but not limited to moves for the U.S. military in the vicinity of ARRC's Tanana River Rail Bridge near Salcha, Alaska.

3.2.5.11 *Assignments.* A2A Rail shall have the right to assign its interest in the lease option agreement subject to ARRC's approval, which shall not be unreasonably withheld subject to the conditions set forth in this Article 3.2.5.11. The specifics of said assignment rights and obligations shall be set forth in the lease option agreement, but, subject to ARRC's approval, which shall not be unreasonably withheld, and subject to the conditions set forth in this Article 3.2.6.7, A2A Rail shall have the right to assign its interest in the lease option agreement to (a) any of its affiliates or (b) a third party, provided that such affiliate or third party demonstrates either (i) for an assignment made before or during the 460 Process, the same financial qualifications as A2A Rail demonstrated pursuant to Article 3.2.5.1 of this Agreement; or (ii) for an assignment made after the 460 Process is completed, the financial qualifications necessary to complete permitting, construct and operate the new rail line. If the lease option agreement is assigned to another party pursuant to this Article 3.2.5.11, any period of project inactivity immediately preceding the assignment shall be tacked to any period of inactivity immediately following the assignment for purposes of the project inactivity provisions of Article 3.2.5.14. For the avoidance of doubt, ARRC's approval right set forth in Article 3.2.5.11 does not apply when A2A Rail encumbers its interests in the option to lease to finance the Project.

3.2.5.12 *Insurance and Indemnity*. The lease option agreement will require any eventual lease agreement to include standard insurance and indemnity provisions, which shall be substantially similar to such provisions included in ARRC's standard ground lease template, although insurance policy limits shall be reasonable given the length of the leased transportation corridor and the uses to be made thereof.

3.2.5.13 *Rent and Other Consideration.*

The parties shall negotiate in good faith language in the lease option agreement that sets both the initial rent and the rent adjustment provisions to be included in any eventual lease agreement. The parties intend that both the initial rent and any rent adjustment provisions shall allow ARRC to comply with all statutory requirements pertaining to the leasing of ARRC land, while at the same time being conducive to the continued development of the Project. The parties further intend that such rent provisions shall reflect the fact that A2A Rail will be using the corridor solely for the purpose of exercising its exclusive right to operate a railroad as defined in Article 3.2.5.5, while the right to make other uses of the corridor shall remain with ARRC, as also provided in Article 3.2.5.5. Notwithstanding the foregoing, the lease option agreement shall not require A2A Rail to pay rent on the value of any improvements it constructs and owns within the corridor. The lease option agreement will provide that A2A Rail shall be entitled to certain rent credits which may offset, in part or in whole, some or all installments of rent paid under an eventual lease agreement. The source of the rent credits; the calculation thereof; any restrictions on such credits with respect to amount, time period or Project phase; and any accounting requirements related to such credits shall be negotiated by the parties in good faith and included in the lease option agreement.

3.2.5.14 Cost-Sharing Agreement Pre-Construction Inactivity Provision. The cost-sharing agreement shall provide that, should the Project become inactive for the period(s) set out below, ARRC shall have the right, at its sole option, to terminate the Cost-Sharing Agreement and withdraw from the Project without penalty. In that event, any and all improvements made within the railroad utility corridor granted by DNR between North Pole and the Alaska-Canada border and all intellectual property relating to permitting, design and operation of those improvements and/or the railroad utility corridor would transfer to ARRC at ARRC's sole discretion. Inactivity for purposes of this Article 3.2.5.14 will be defined in the Cost-Sharing Agreement and shall include, at a minimum, the failure of A2A Rail to (i) obtain the permitting necessary to construct the rail line between North Pole (or Delta Junction) and the United States-Canada border within twelve (12) years of the effective date of the issuance of the environmental impact statement Record of Decision or (ii) engage in meaningful physical construction of permanent railroad improvements in the railroad utility corridor for a period of seven (7) years after the consummation of permitting. The Cost-Sharing Agreement shall further provide that the foregoing right for ARRC to terminate will not apply if A2A Rail's failure to meet the periods designated above was caused by the ARRC's actions or omissions, or by a force majeure event, as defined in the Cost-Sharing Agreement. In addition to the standard definition used in commercial force majeure clauses, the definition of "force majeure" in the Cost-Sharing Agreement shall include, but not be limited to, delays caused by litigation or the failure to timely receive permit approvals or other governmental authorizations, despite the exercise of due care and diligence by A2A Rail.

3.2.7 Presidential Permit, Environmental Reviews, and Permitting Processes. The Parties acknowledge and agree that the Project Work set out in Article 3 will be controlled and used by A2A Rail to (a) obtain a Presidential Permit; (b) advance the state and federal environmental review and permitting processes; and (c) secure the necessary authorizations from the United States Surface Transportation Board. The Parties agree to work together with federal and state agencies and tribal governments to identify ways to streamline the environmental review and permitting process.

3.2.8 Upgrading Existing ARRC Infrastructure & Transportation Agreement.

3.2.8.1. As noted in Recital C to this Agreement, A2A Rail intends to connect and interchange with the ARRC at the end of its existing mainline at North Pole (or at Delta Junction, if the ARRC has completed its permitted expansion to Delta Junction at the time the Project is constructed), which provides access to ports at tidewater. In support of that intent, the ARRC will (a) identify capital improvements to its existing infrastructure needed to satisfy A2A Rail's Operating Plan, as defined in Article 3.2.9 of this Agreement, including upgrades to ARRC's yard, track, and bridge capabilities, rolling stock, and signaling; and (b) initiate design and engineering work to upgrade its existing rail system for the Project. To pay for the upgrades, the Parties will enter into a transportation contract that provides ARRC with guaranteed minimum revenue substantial enough to carry bond debt. The transportation contract will provide A2A Rail with a cost recovery mechanism, such as a division of freight revenue, in the event that A2A Rail finances or funds the improvements. The Parties recognize that ARRC will face substantial risks associated with funding the design and construction of infrastructure improvements to its existing rail system before the Project is completed and freight transportation resulting from the Project commences. Those risks include, but are not limited to, the risk that A2A Rail could fail to complete the Project. In the latter event, ARRC likely would be unable to repay any bonds it had issued in conjunction with infrastructure design and construction related to the Project. In light of these risks, A2A Rail shall provide a performance bond sufficient to allow ARRC to complete construction of ARRC's Project-related upgrades and improvements to its existing infrastructure should A2A Rail be unable or unwilling to do so, along with an agreement that ARRC would own said upgrades and improvements if they are completed pursuant to said performance bond.

3.2.8.2 While ARRC may choose to fund infrastructure improvements to ARRC's existing system necessary to accommodate the Project, if and to the extent A2A Rail funds any of said improvements at ARRC's request, the transportation agreement described above will incorporate a division of revenue to compensate A2A Rail for carrying the costs and risks associated with designing, permitting, and constructing those improvements.

3.2.8.3 The transportation agreement described above shall also include (a) an undertaking on behalf of both ARRC and A2A Rail to use best efforts to include, in all transportation contracts with shippers for the leased rail line of A2A Rail and the contiguous rail line of ARRC, a firm commitment minimum number of railcars per year (with monetary payments for failure to achieve the minimum commitment), and (b) a guarantee from A2A Rail to ARRC that, if, in any year during the term of the lease agreement, the number of railcar loads on the line is insufficient to provide ARRC with sufficient revenue to cover its payments for all debt incurred to fund the improvements described in Section 3.2.8.1, A2A Rail will fund any shortfall on a dollar-for-dollar basis for such year.

3.2.9 <u>Joint Operating Agreement.</u>

3.2.9.1 Once ARRC initiates the 460 Process, the Parties shall develop and execute a Joint Operating Agreement that sets forth the obligations and rights of the Parties with respect to freight to be moved via the Project onto ARRC's rail system, with A2A Rail operating on the segment of the transportation corridor constructed in conjunction with the Project and ARRC operating on its existing rail system. The Joint Operating Agreement will include provisions describing how freight rates will be negotiated by the parties, which rates shall be reasonable pursuant to the regulations and practices of the United States Surface Transportation Board, which shall be the arbiter of any dispute of the parties regarding whether such rates are reasonable.

3.2.9.2 In furtherance of the foregoing, A2A Rail shall, as soon as possible following the date of execution of this Master Agreement and in no event no more than thirty (30) days after that date, provide ARRC with a complete copy of A2A Rail's current proposed operating plan for the transportation corridor and associated facilities to be developed pursuant to the Project ("Operating Plan"). A2A Rail shall thereafter provide ARRC with copies of any and all updates and revisions to the Operating Plan; provided that no such updates and revisions shall substantially alter the basic operating parameters set forth in the initial Operating Plan unless both parties mutually agree to the change. A2A Rail acknowledges and agrees that substantive changes to the Operating Plan may require modifications to infrastructure planning on ARRC's existing rail system, which in turn could affect transportation rates to be charged by ARRC to A2A Rail on the existing ARRC rail system. A2A Rail shall provide any and all reasonable information requested by ARRC following the receipt of the Operating Plan or any revision thereof in order that ARRC may better understand or verify the viability of the Operating Plan. If ARRC objects to the Operating Plan, the parties will consult in good faith in an attempt to address said objections.

3.2.10 Financing Agreement. The Parties will explore potential financing options, including use of the ARRC bond financing and Canadian Infrastructure Bank financing, or other similar financing sources, as a tool that can help meet the investment requirements for (a) upgrades to ARRC's existing infrastructure to enable enlarged freight capacity and (b) investments in developing the new Project transportation corridor. To the extent ARRC bond financing is used for any purpose other than upgrading ARRC's existing infrastructure, A2A Rail shall fairly compensate ARRC for making its bonding capability available to support the Project. Such compensation shall include, but not be limited to, bond issuance fees and all other costs related to the issuance of the bonds. In furtherance of the foregoing, when

A2A Rail supplies ARRC with the Operating Plan described in Article 3.2.9, it shall include a proposed financial model that includes disclosure of A2A Rail's financial statements, subject to the restrictions of Article 4.3.

ARTICLE 4: OTHER PROJECT-ENABLING TERMS

4.1 Alignment of the Parties is critical to the success of a Project of this scope and magnitude.

4.2 Project-enabling contracts negotiated between the Parties will need to be of sufficient duration to (a) support investment decisions of the Parties, (b) permit realization of a competitive economic return, (c) enable necessary financing, and (d) support sales agreements with customers. In addition, Project-enabling contracts will include standard cooperation clauses whereby the Parties will cooperate with one another on technical, permitting, and engineering matters to achieve efficiencies and share data to effectively manage resources and to jointly pursue the Project.

4.3 Subject to the limitations stated in this Article 4.3, each Party shall, and shall cause its officers, directors, employees, agents, counsel, accountants, financial advisors, consultants and other representatives (together "Representatives"), to cooperate and provide such information as is reasonably necessary for the performance by the other Project Party of its responsibilities in Article 3 above. The Parties recognize that ARRC internal financial information is for the most part public information, while A2A Rail's internal financial information is generally non-public. Given that dichotomy, and each Party's need to review and understand the other Party's financial situation, the Parties agree that any non-public information that is reasonably requested by one Party from another will be produced under the protection of a reasonable and enforceable confidentiality agreement that appropriately restricts the disclosure and use of such information by the receiving Party. Notwithstanding the foregoing, neither Party shall be required to disclose to the other Party any legally privileged information. Nor shall either Party be required to disclose to the other Party information that is subject to confidentiality obligations owing to third parties except to the extent and in the manner allowable under the terms of said confidentiality obligations.

ARTICLE 5: OTHER UNDERSTANDINGS

5.1 The Parties recognize that this Master Agreement does not address all of the matters that must be dealt with or all of the terms and conditions needed to finalize project enabling contracts among the Parties concerning the Project. The Parties intend to work together and use commercially reasonable efforts to reach agreement on additional terms and conditions acceptable to the Parties including a safety plan and community outreach efforts.

ARTICLE 6: MISCELLANEOUS

6.1 Term and Termination. This Master Agreement will become effective as of the Effective Date and terminates on December 31, 2027, unless extended by mutual agreement of the Parties. Any extension of this Master Agreement pursuant to this Article 7.1 shall have no effect on the calculation of any period of project inactivity under Article 3.2.5.14; any periods of inactivity immediately before and immediately after such an extension shall be tacked for purposes of such calculation.

6.2 Amendments and Modifications. No amendment, modification, supplement, or variation of this Master Agreement will be effective unless in writing and signed by or on behalf of each Party.

6.3 Survival. This provision (Article 6) will continue in full force and effect notwithstanding termination of this Master Agreement.

6.4 Governing Law. The laws of the State of Alaska, without giving effect to its conflicts of laws principles, will govern all questions concerning the construction, validity, and interpretation of this Master Agreement.

6.5 Forum Selection Clause. Any action based on this Master Agreement shall be brought in an appropriate state or federal court of general jurisdiction located at Anchorage, Alaska.

6.6 Assignment. This Master Agreement is not assignable; *provided, however*, that A2A Rail shall have the right to assign this Agreement to an affiliate with the prior written approval, which may not be unreasonably withheld, of the ARRC. "Affiliate" means any person or business entity that such Party controls, is controlled by or is under common control with A2A Rail, and where "control" means the power to direct management and policies.

6.7 Counterparts. This Master Agreement may be executed in any number of counterparts and this has the same effect as if the signature on the counterparts were on a single copy of the Master Agreement.

IN WITNESS WHEREOF, the authorized representatives of A2A RAIL and ARRC execute this Agreement on the dates stated below.

THE ALASKA RAILROAD CORPORATION	**THE ALASKA TO ALBERTA RAILROAD DEVELOPMENT CORPORATION**
By:___________________________________	By:___________________________________
Name: _____________________________	Name:________________________________
Title: ______________________________	Title:________________________________
Date:_________________________________	Date:_________________________________

Adopted:

Resolution No. 2019-25

Relating to Funding to Purchase Van Loaders for TOFC Operations (AFE No. 10777)

WHEREAS, the Alaska Railroad Corporation (“ARRC”) conducts trailer-on-flat-car (“TOFC”) freight transportation operations as part of its freight business; and

WHEREAS, TOFC freight operations include the loading and unloading of trailers onto and off of flat cars; and

WHEREAS, such TOFC loading and unloading operations require the use of van loaders that lift and carry trailers; and

WHEREAS, ARRC’s current fleet of van loaders is effectively obsolete, lacking modern safety devices; experiencing catastrophic failures that result in damaged trailers, delays and increased safety risks; breaking down regularly; no longer being supported by the manufacturer; and operating at reduced profitability; and

WHEREAS, modern van loaders include updated safety equipment not found on ARRC’s current outdated van loaders, including forward and rearward facing cameras, blind spot detection, self-adjusting backup alarms, onboard overload protection, operator seatbelts and ground level emergency stop buttons; and

WHEREAS, replacing ARRC’s aging, outdated van loaders with modern van loaders will result in safer, more efficient and more reliable TOFC operations, which in turn will reduce safety incidents, damage claims and delays, improve ARRC’s service to its TOFC customers and increase the profitability of ARRC’s TOFC freight line; and

WHEREAS, new van loaders, because of the improvements in safety, efficiency and profitability noted above, will provide ARRC’s TOFC freight operations the critical additional capacity it needs to grow TOFC freight volumes in the future; and

WHEREAS, AFE No. 10777, in the amount of $1,500,000, will fund the replacement of two of ARRC’s obsolete van loaders in 2019, with the attendant benefits described above; and

WHEREAS, funding for this project is 100% ARRC internally funded; and

WHEREAS, the authority of ARRC's President & Chief Executive Officer to approve an unbudgeted capital expenditure is limited to matters with an estimated total cost of no more than $300,000, with higher estimated cost matters requiring Board approval pursuant to ARRC's Approval Authority Guide.

NOW, THEREFORE, BE IT RESOLVED, that the ARRC Board of Directors has considered the proposal to fund the replacement of two TOFC van loaders as presented by ARRC Management and hereby approves AFE No. 10777 in the amount of $1,500,000 for the purposes stated therein.

Alaska Railroad Corporation

Authorization for Expenditure Form

For Accounting Use Only

AFE# 10777

Page 1

General Information:	
AFE Title:	**Van Loader Replacements**
Prepared By:	**Ron Thompson/Jamie Fetterman**
Resp. Center (Name):	**Internal Servce Fund**
Resp. Center (#):	**1461 & 1462**
Depreciation Center:	**1462-ISF-Equipment Maintenance**
Line of Business:	**Corporate**

Spending Timetable:		
2019	$	1,500,000
2020	$	-
2021	$	-
2022	$	-
2023	$	-
Total	$	1,500,000

Other Information		
Useful Life (Years):		20
Annual Depreciation:	$	75,000
Estimated Annual Operating Costs	$	-

Included in Capital Budget:			
Capital Budget	Year:		2019
Total Amount	$		1,500,000
Source of Funding	ARRC	$	1,500,000
Source of Funding		$	-
Source of Funding		$	-
Grant Number			
Grant Name			

AFE History:			
	Amount		Date Prepared
Original AFE	$	1,500,000	6/19/19
Supplemental #1	$	-	
Supplemental #2	$	-	
Supplemental #3	$	-	
Supplemental #4	$	-	
Supplemental #5	$	-	
Supplemental #6	$	-	
Supplemental #7	$	-	
Total	$	1,500,000	

Required Signatures for Approval:			
(if applicable)	Last Name(s) (Print)	Signature	Date
Project Manager:	**Deanna McGuire**	D. McGuire	6/19/19
Responsible Owner:	**Ron Thompson**	[signature]	6-19-19
Owner Department:	**Don Freestone**	[signature]	6/21/19
Functional User(s):	**Jamie Fetterman**	[signature]	6/20/19
Chief Operating Officer:	**Clark Hopp**	[signature] for	6/20/19
Grant Administration:	**Shawnessy Leon**	N/A	
Chief Financial Officer:	**Barbara Amy**	[signature]	6/20/19
Accounting Department:	**Wendy Richerson**	Wendy Rich	6/19/2019
CEO & President:	**Bill O'Leary**	[signature]	6/21/19
Board of Directors:	**Jon Cook**		

*****Original Form Must Be Returned to Accounting*****

Alaska Railroad Corporation

Authorization for Expenditure Form

For Accounting Use Only

AFE# 10777

Is this project related to health and/or safety?	Yes	**If yes describe:**

New equipment technology comes upfitted with multiple safety features such as cameras that are forward and rearward facing for blind spot detection, device self-adjusting and directional backup alarm that becomes louder than the ambient noise in the work environment warning equipment is in reverse movement, onboard overload protection alarm, operator environment air ride seat and seatbelt, and ground level emergency stop button to shut immediate operations in case of emergencies. These new age safety features reduce the exposure of human error. In turn creating a safer work environment for the operator and employees working around the equipment.

Scope of Work:

The acquisition of two units that meet or exceed current capabilities of our Letourneau Van Loaders.

ARRC Business Justification:

The need for new Van Loaders is required to sustain and capitalize on our current trailer service ARRC offers. New units will be able to broaden our current capabilities by:
A. Safety - It is key to any successful endeavor. With a history of catastrophic failures and lost loads the risk associated with the continuance of our current units is undesirable. These antiquated machines lack the built in safety features that new units offers.
B. Support current operations - This has become cumbersome with the current Van Loaders. While TOFC has kept up with the volume, the unreliability of the Van Loaders reduces the productivity and efficiency of the department.
C. Reduced maintenance and failure - A machine that spends less time in the shop and more time in the field means higher return on investment. Reduced maintenance requires less man hours per unit allowing Heavy Equipment to focus their time on other more pressing railroad needs.
D. Reliability and support - Due to the current state and age of the Van Loaders it is not uncommon to accrue large quantities of overtime, damage claims, and initial terminal delays. The LeTourneau Company has not supported these machines either in parts or technical support for many years. The obsolescent nature of the Letourneau van loaders demands more cost of ownership and takes away from the profitability of the services ARRC provides.
E. Productivity - Productivity is essential to TOFC operations. Enabling our current crews to more efficiently load and unload a train means dependability and reliability to the customer and allows focus on other customer demands that could turn into new revenue generating opportunities.
F. Future growth - Is dependent on providing our customers with a reliable and consistent service. With renewed units this goal is achievable and puts ARRC on course to handle higher volumes of trailers with less man hours, and focus on other customer commodities ARRC is currently handling and future revenue opportunities. The TOFC department is one of the top contributors of revenue to the railroad. With large margins of potential growth, strategic updates to its equipment fleet is critical. Focusing on the highest priority service, this is the first step towards a more efficient and profitable future.

Alternatives Considered:

With the unique nature of these machines the market of alternative options that fit the needs of the ARRC are not feasible. The ability to maintain and build on our trailer service is dependent on updating the fleet.

Preliminary Budget:

Line Description	**Amount**
Equipment	$ 1,500,000
Labor (Fully Burdened)	$ -
Materials	$ -
Contracts	$ -
Other Expenses	$ -
Total	$ 1,500,000

Note: All health and/or safety related project(s) should be the highest ranked project(s) in the department.

Alaska Railroad Corporation

Capital Budget Request

For Accounting Use Only

AFE# 10777

GENERAL INFORMATION:

Sponsoring Department	Mechanical		Asset Function	Replacement Project	
Department Priority Ranking	of		Multi-Year? Yes	If so, how many years?	2
Is the project identified in the Transit Asset Management Plan?			Yes - in the Equipment Replacement Plan		

Is this project related too or in support of an ongoing project, future project or strategic imitative(s) (i.e. another project depends on this one having been completed)?

This strategic initiative plays a key role in the 480v articulated flat car project. The need to increase the number of 480v equipped flat cars was the cause of higher KFF/Refrigerated trailer demands. The Van Loaders are the machines that load and off load these cars. This service and the supporting equipment such as the articulated flat cars and generators vans are dependent on these machines.

What areas of business and/or ARRC Departments will benefit from or be effect by the funding of this project?

The trailer service provided by the ARRC will benefit by meeting customers' expectations consecutively. TOFC, Transportation, Mechanical, Marketing, and Customer Service will all prosper from this project.

ENHANCES PROFITABILITY:

Has the cost estimate been reviewed by Projects Department?	Yes
What is the incremental annual revenue from project?	
When will incremental revenue begin?	
What is the duration of associated cash flows? (Years)	
What is the estimated annual cost savings from project	

What kind of Cost Saving (labor cost, maintenance cost etc.)?

Cost savings from lowered maintenance will allow Heavy Equipment to allocate more of their personnel to other railroad demands. Transportation will be able to put trains together faster, effectively reducing the call time and saving crew expenditures. The need to load trailers onto flat cars at the ramp due to their weight overloading our current Van Loaders will cut down on car switches, multiple TOFC crews to load and secure the trailer, and Carman's time for inspecting the load and securement. Newer units are also more fuel efficient reducing the amount of fuel consumption per year.

Will the Project replace an existing asset?	Yes

If asset is replaced, describe the replaced asset?

2 - 1983 LeTourneau 2682CH & 2684CH Van Loader Forklifts/Container Handlers.

When will the existing asset be taken out of service	2021
Will the existing asset be sold or surplused?	Yes
What is the estimated value of the existing asset?	$30,000
What is the estimated useful life of the asset (in years)?	20 years
What is the residual value of the asset at the end of its useful life?	$50,000

If the project is not selected for funding, will it affect the following years operating budget?

If not selected for funding high maintenance cost will continue, will have to continue the maintenance program verse replacement program, maintaining custom modifications that continue to fail due to age and technology, and continued incidents of damage to customer and ARRC property will continue to rise.

If you are having difficulty identifying the costs, incremental revenues or cost savings, please explain in your own words how you believe that the project will enhance profitability.

Profitability will increase from this project in multiple ways. Less upkeep, faster hydraulic functions, more reliable machine, capability of higher lifting capacities will allow for additional revenue, offers the ability to run two units at the same time, less crew time to load a train will allow the crew to do more work in a work day with the same number of people.

Alaska Railroad Corporation

Capital Budget Request

For Accounting Use Only

AFE# 10777

IMPROVES CUSTOMER SERVICE QUALITY

Describe the service quality issues that the Project will resolve

The addition of new Van Loaders will provide a more reliable service to our customers and entice them to ship more product with us with confidence. The ability to lift heavier trailers will also bring in additional revenue during road restrictions. The addition of this capability allows us to better serve our customers in an area we cannot currently.

Should the Project not be selected, what would the effect be on the business?

The effect on business would be detrimental. With strict deadlines that our customers have to meet it is imperative that our service does not interfere. With several trailers being left behind in the past due to Van Loader breakdowns the tolerance of our customers will lessen forcing them to truck their goods over the road.

What alternatives exist to the project that could also address the service quality issue?

None.

AIDS IN ECONOMIC & COMMUNITY DEVELOPMENT

Describe how the Project aids in the development of the Alaska economy, if applicable

With the recent opening of Costco in Fairbanks and a population spike at Eielson AFB, TOFC has seen an increased trailer volume on days that are historically low. In addition, Exploratory drilling that the oil field is engaging in on the North Slope means that the need for goods will soon follow.

Describe how the project aids in the development of a specific rail belt community, if applicable

N/A

BUDGETING & SCHEDULING

Scalability: Can the project be scaled down to a smaller dollar investment?

Research has shown that out of the available manufacturers for these machines the estimate reflected in this AFE is the smallest dollar investment.

Phaseability: Can the project e broken into multiple phases for consideration across multiple budget year?

Yes, this AFE reflects multiyear phases.

If project is phased does that phasing effect either the profitability or general operations?

As long as the phasing is done in two machine increments, general operations will still benefit.

CURRENT YEAR SPENDING TIMELINE

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
									$ 1,500,000		
Total	**$ 1,500,000**										

ACTIVITY BASED BUDGET:

Cost Code	Amount
	$ 1,500,000
	$ -
	$ -
	$ -
	$ -
	$ -
Total	$ 1,500,000

AMENDED LEASE SUMMARY

LESSEE: Ship Creek Development, LLC CONTRACT NO: 20180

INTRODUCTION: The Board previously approved a 95-year Ground Lease, effective July 1, 2017, and also approved an amendment of the Ground Lease in 2018 to decrease the area of the leased premises with an option to expand the leased premises back to the full original leased premises. Lessee paid $50,000 for the option, which is scheduled to expire on June 30, 2019.

LEASE DESCRIPTION: The proposed modified leased premises consists of a parcel of land located west of Christensen Drive and north of 2nd Avenue situated within the ARRC Anchorage Reserve, containing 29,313 square feet, more or less, in the current leased premises, and a total of 119,100 square feet, more or less, if all options are exercised. Lessee has requested that its current one-time option be replaced with a series of five (5) phased options to expand the leased premises annually over a five (5) year period.

KEY CONTRACT PROVISIONS:

Commencement Date (Original Lease): July 1, 2017

Lease Term: Ninety (95) Years

Current Lease Area: 29,313 square feet (reduced from previous 119,100 square feet)

Proposed Phased Option Areas

July 1, 2019 (start of Lease year 3). Total premises area, including Phase 1 option area: Approx. 44,707 sq.ft.; annual rent in accordance with the existing contract terms including a 1% increase per sq.ft.

July 1, 2020 (start of Lease year 4) Total premises area, including Phase 2 option area: Approx. 63,268 sq.ft.; annual rent to reflect a 1% increase per sq.ft. from previous year's annual rent.

July 1, 2021 (start of Lease year 5) Total premises area, including Phase 3 option area: Approx. 85,843 sq.ft.; annual rent to reflect a 1% increase per sq.ft. from previous year's annual rent.

July 1, 2022 (start of Lease year 6) Total premises area, including Phase 4 option area: Approx. 100,611 sq.ft.; annual rent to reflect a 1% increase per sq.ft. from previous year's annual rent.

July 1, 2023 (start of Lease year 7) Total premises area, including Phase 5 option area: Approx. 119,100 sq.ft.; annual rent to reflect a 1% increase per sq.ft. from previous year's annual rent.

Proposed Total Option Area: 89,787 square feet

Prior Annual Rent: $20,160.00

Rental Rate: 8%

Rent Adjustment: In addition to rent adjustments described above for exercised of phased options, Ground Lease provides for annual rent increases beginning Lease year 8 on the following schedule: annual increases of 1% of the prior year's annual rent through lease year 20, 32 through 50 and 62 through 80; annual increases of 1.5% of the prior year's annual rent in lease years 21 through 30, 51 through 60 and 81 through 90. For lease years 31 and 61, annual rent will be adjusted per fair market value appraisal; however, any annual rent increase in those lease years shall not exceed 130% of the prior year's annual rent.

PUBLIC NOTICE: Yes for original lease; N/A for this proposed modification

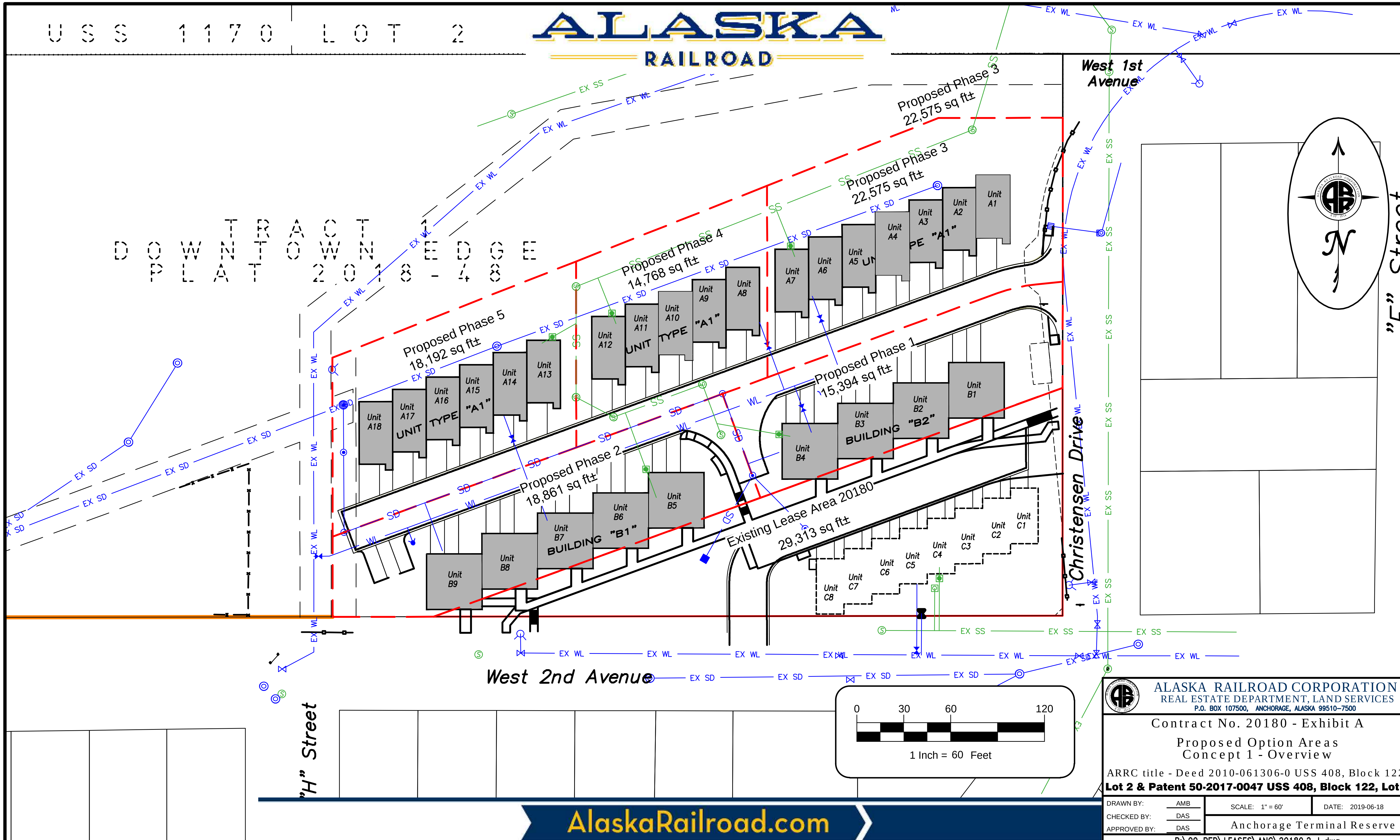
LEGAL REVIEW: Yes

INTENDED USE: Residential Condominium Units

SUMMARY AND RECOMMENDATIONS: This is a request to modify an existing lease. The original leased premises consisted of approximately 119,000 sq. ft. In 2018, the Lessee requested and the Board approved a reduction in the leased premises area to 29,313 sq. ft., with the remainder of the original leased premises made subject to a lease option that is scheduled to expire on June 30, 2019. Due to slow unit sales commitments on condominium units, the Lessee now requests to divide the current option area into five (5) separate phases, which would be subject to a series of five annual options with deadlines to exercise each option falling on June 30 of each year, beginning with the Phase 1 Option in 2019 and ending with the Phase 5 Option in 2023. Lessee would be required to inform ARRC on or before June 30 of each year that it intends to exercise its next phased option. If Lessee elects not to exercise any particular phase option, then both that option and any remaining phased options will expire. For example, if Lessee exercises the Phase 1 option in 2019, but elects not to exercise the Phase 2 option in 2020, then the options for Phases 2 through 5 will all expire on June 30, 2020. In consideration for ARRC granting the phased options described above; Lessee will complete certain improvements necessary for complete development of the leases premises and phased option areas and will provide ARRC with a security interest in those improvements.

APPROVED: ______________________________ Board Meeting Date: __________

Andy Behrend
ARRC Board Secretary



ALASKA RAILROAD CORPORATION
REAL ESTATE DEPARTMENT, LAND SERVICES
P.O. BOX 107500, ANCHORAGE, ALASKA 99510-7500

Contract No. 20180 - Exhibit A

Proposed Option Areas
Concept 1 - Overview

ARRC title - Deed 2010-061306-0 USS 408, Block 122,
Lot 2 & Patent 50-2017-0047 USS 408, Block 122, Lot 1

DRAWN BY: AMB	SCALE: 1" = 60'	DATE: 2019-06-18	
CHECKED BY: DAS	Anchorage Terminal Reserve		
APPROVED BY: DAS			

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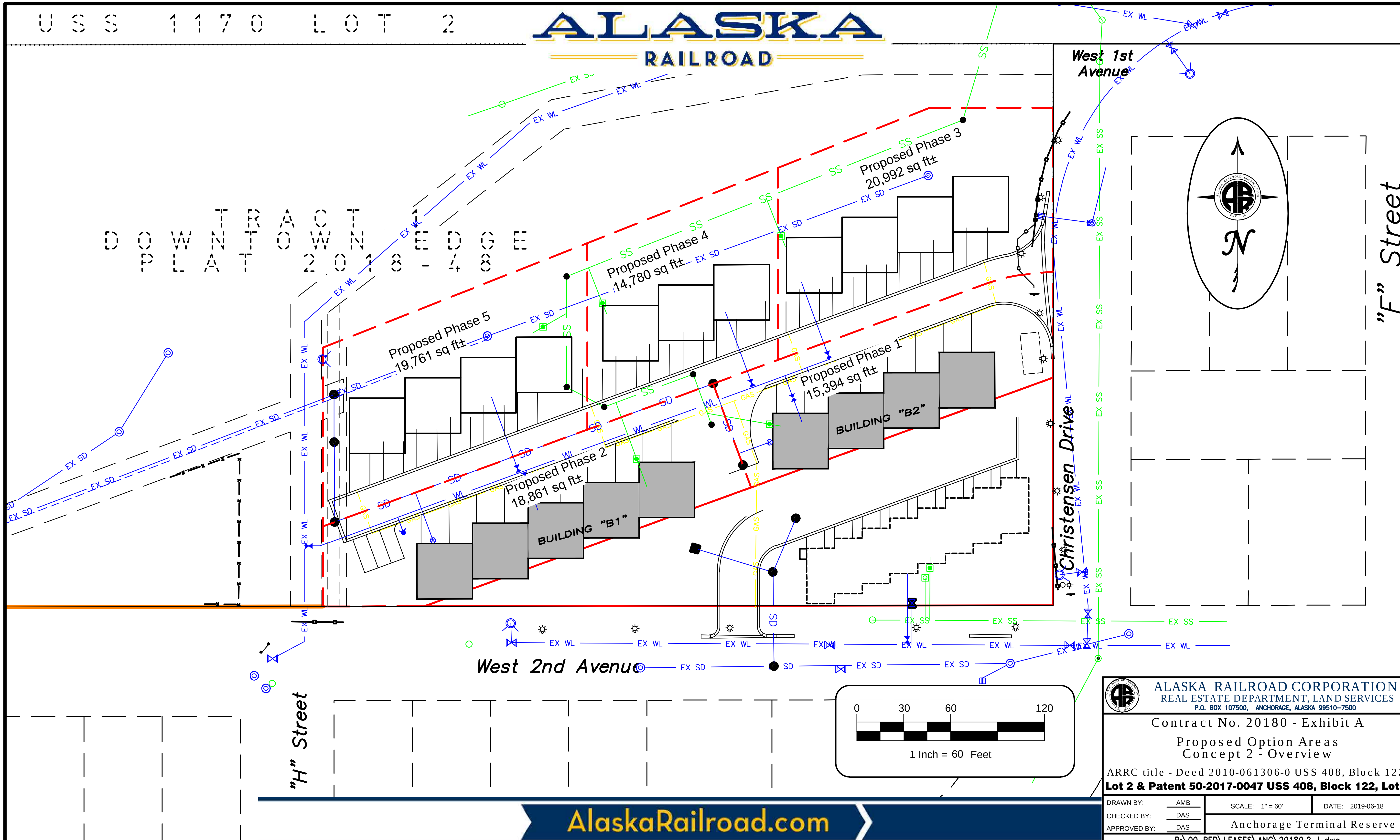

USS 1170 LOT 2
ALASKA RAILROAD
TRACT 1
DOWNTOWN EDGE
PLAT 2018-48
West 1st Avenue
"F" Street
N
Proposed Phase 3
20,992 sq ft±
Proposed Phase 4
14,780 sq ft±
Proposed Phase 5
19,761 sq ft±
Proposed Phase 1
15,394 sq ft±
Proposed Phase 2
18,861 sq ft±
BUILDING "B2"
BUILDING "B1"
Christensen Drive
West 2nd Avenue
"H" Street
0 30 60 120
1 Inch = 60 Feet
ALASKA RAILROAD CORPORATION
REAL ESTATE DEPARTMENT, LAND SERVICES
P.O. BOX 107500, ANCHORAGE, ALASKA 99510-7500
Contract No. 20180 - Exhibit A
Proposed Option Areas
Concept 2 - Overview
ARRC title - Deed 2010-061306-0 USS 408, Block 122,
Lot 2 & Patent 50-2017-0047 USS 408, Block 122, Lot 1
DRAWN BY: AMB
CHECKED BY: DAS
APPROVED BY: DAS
SCALE: 1" = 60'
DATE: 2019-06-18
Anchorage Terminal Reserve
R:\00 RED\LEASES\ANC\20180.2-L.dwg
AlaskaRailroad.com