

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement memorializes certain agreements reached between the parties hereto regarding the improvement of certain public facilities (including realignment of the Alaska Railroad corridor, the Seward Highway, or both) and resulting conveyances of certain public property interests between Potter Station and Girdwood in Southeastern Alaska. A secondary purpose of this agreement is to develop an overall cooperative framework for a multi-phased highway improvement project currently planned by one of the parties but, in addition, to foster future cooperation in the overall planning, development, operation and maintenance of the Alaska Railroad and Seward Highway corridors within or adjoining Chugach State Park.

I. PARTIES

THIS MEMORANDUM of AGREEMENT ("MOA") is by and between the STATE OF ALASKA, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES ("DOTPF"), whose address is P.O. Box 196900, Anchorage, Alaska 99519-6900, the ALASKA RAILROAD CORPORATION ("ARRC"), whose address is P.O. Box 107500, Anchorage, Alaska 99510-7500, and the STATE OF ALASKA, DEPARTMENT OF NATURAL RESOURCES ("DNR"), whose address is Office of the Commissioner, 550 West Seventh Avenue, Suite 1400, Anchorage, Alaska 99501-3561, hereinafter referred to collectively as the "Parties".

II. RECITALS

WHEREAS, the Parties acknowledge and agree that:

1. Each party to this MOA is a public entity with a separate mission and diverse functions, owning or managing land or facilities along Turnagain Arm between Potter Station and Girdwood, Alaska (see Exhibit "A", attached). The affected lands encompass both the Chugach State Park and transportation and utility corridors (hereinafter referred to as the "Area of Interest");
2. It is the parties' intention for this MOA to express a mutual commitment to cooperative planning, development and operation of their diverse

functions, recognizing that each function is of significant public benefit, all of which can be compatible and complementary with sufficient good faith efforts by all Parties;

3. Chugach State Park was created, in part, to protect areas of unique and exceptional scenic value, and to provide public recreational opportunities by establishing areas for specific uses and constructing the necessary public facilities for the uses in those areas. Scenic viewing, recreating along the highway corridor and driving for pleasure along the Seward Highway are primary public-recreational uses in the Turnagain Arm portion of Chugach State Park. Enhancing the scenic and recreational values of Chugach State Park is an important consideration in the design and construction of the highway and/or railroad improvements to which this agreement pertains;
4. That portion of the Seward Highway located within the Area of Interest provides the sole highway link between the Kenai Peninsula and the remainder of the state highway system, is an interstate highway on the national highway system, a State Scenic Highway, a National Scenic Byway, and an All-American Road;
5. That portion of the Alaska Railroad located within the Area of Interest is the sole railway way link between the open water ports of Seward and Whittier and the Kenai Peninsula and the remainder of the Alaska Railroad transportation system. The Alaska Railroad transports both passengers and freight and is an essential government function and critical component of the state's transportation infrastructure;
6. These sections of the Seward Highway and the Alaska Railroad which are located within the Area of Interest are affected by avalanches and other actual and potential operational constraints which pose significant threats to the safe, continued and uninterrupted use and operation of these essential public transportation facilities;
7. The realignment and/or widening of the Seward Highway and the related relocation of the Alaska Railroad within the Area of Interest will significantly enhance the reliability and safety of these vital transportation facilities;
8. Realignment and/or relocation of the Alaska Railroad within the Area of Interest can significantly improve both public safety and operating efficiencies in numerous ways, including reduction of track curvature;

installation of grade-separated crossings; and adding or better designing buffer zones between the industrial usage that occurs in the railroad corridor and the traveling and recreating public, thereby decreasing the opportunity for trespass and personal injury;

9. The realignment and relocation of the highway and railroad corridors will also involve the relocation and reconstruction of adjacent utilities;
10. The realignments and relocations of the highway, railroad and utility facilities will involve the establishment of new rights-of-way, easements, and other property interests as well as the relinquishment of abandoned rights-of-ways and easements through Chugach State Park;
11. Redefining the locations of the various property interests will help resolve and identify any unresolved or unclear easement locations within the Area of Interest, and may reduce the total amount of Chugach State Park acreage encumbered by easements;
12. Relocating and/or realigning sections of the Seward Highway and the Alaska Railroad tracks will reduce snow avalanche safety hazards for highway and railroad users as well as maintenance costs for DOTPF and ARRC;
13. Wherever possible, it is in the public interest to convert existing, abandoned sections of the Seward Highway within the Area of Interest into park facilities such as pull-out areas and interpretive sites or into avalanche catchment areas and other similar, beneficial uses;

AND WHEREAS, in recognition of the principles contained in the foregoing recitals, the Legislature of the State of Alaska adopted findings and policy under Ch. 116 SLA 2000, effective June 7, 2000, regarding the Parties and the public benefit of the improvements herein described that authorized the "...grants or conveyances of interests in public land among the [Parties] to relocate or widen the Seward Highway, to relocate railroad facilities, and to relocate adjacent utility facilities from Potter Station to Girdwood...".

NOW, THEREFORE, in order to:

1. Implement the intent of the Legislature as expressed in Ch. 116 SLA 2000, Sections 5 - 8;

2. Memorialize the agreement of the parties as to the principles and procedures to be used to accomplish the relocation of the DOTPF right-of-way and/or the ARRC utility corridor and other utilities, with safety of use and operations being a high priority;
3. Establish the procedures and methods to be used to document the relocation of facilities and exchanges of property interests between the Parties (or any two of them, as the case may be);
4. Provide for improvements to the Seward Highway, associated parking and turnout areas, and other highway related recreational facilities; and
5. To reflect the intent of the Parties to cooperate in planning, design, construction, and operation of their respective facilities within the Area of Interest;

the Parties agree to the principles and terms specified herein.

III. Existing Corridors

DOTPF and ARRC currently hold property interests within the Area of Interest, within which their respective facilities have been constructed. The following paragraphs generally describe those property interests :

1. DOTPF has a 300-foot right-of-way, 150 feet each side of the existing Seward Highway centerline. The DOTPF right-of-way has been relocated or straightened on numerous occasions since the original construction of the Seward Highway. DOTPF and DNR have assumed that the right-of-way has moved with relocation of the highway centerline. Most recently, the Seward Highway right-of-way was relocated under a Memorandum of Understanding between DNR and DOTPF dated August 10, 1990, and amended August 26, 1993.
2. ARRC has a 200-foot corridor, 100 feet each side of the railroad centerline as established by U.S. Survey Nos. 9010-14 and conveyed to the corporation under the Alaska Railroad Transfer Act of 1982 ("ARTA"), 97 Pub. Law 468, by Exclusive License dated January 5, 1985. Pursuant to ARTA, the ARRC is entitled to a patent to said corridor conveying the full interest of the United States therein, but in any event not less than an exclusive use easement as defined by 45 U.S.C. §1202(6). The ARRC track facility has been relocated in part between Bird Point and Girdwood

under a Memorandum of Agreement between ARRC and DOTPF dated August 26, 1993 ("the 1993 MOA"). Pursuant to the 1993 MOA, DOTPF committed to obtain legislative approval for transfer of an additional title interest to ARRC for the new rail alignment. Chapter 116, 2000 SLA was enacted, in pertinent part, to address this commitment as well as to enable other similar transfers.

3. The DOTPF right-of-way and the ARRC corridor overlap in part. By a Blanket Permit dated April 7, 1989, ARRC Contract No. 6012, DOTPF and ARRC agreed on highway use of the ARRC corridor in various locations in Southcentral Alaska. DOTPF and ARRC agreed, by the 1993 MOA, to modify the Blanket Permit to apply the management and other provisions of the 1993 MOA to the Bird Point-to-Girdwood segment of the highway improvement project. DOTPF and ARRC now agree to manage the overlapping interests at other locations within the Area of Interest and covered by the Blanket Permit as provided below.

The Area of Interest also encompasses utility easements, permits and rights-of-way aligned generally within or adjacent to the ARRC corridor and/or the DOTPF rights-of-way.

IV. Construction and Relocation Plans

DOTPF is the lead agency in accomplishing the Seward Highway realignment/relocation goals herein specified. It is DOTPF's direct responsibility to design, schedule, budget, build and maintain the highway realignments envisioned, subject to DNR consent and consistent with AS 41.21.122, and to design, schedule, budget and build its appurtenant utility realignments consistent with AS 19.05.040 and vested contractual rights. In addition, it will be DOTPF's direct responsibility to design, schedule, budget, and build the railroad and its appurtenant utility alignments affected by the highway realignment projects, subject to ARRC consent and consistent with AS 42.40 and any vested contractual rights.

The Parties agree that the realignment and relocation of the highway, railroad, and utilities within the Area of Interest will take place over several years and be accomplished in several separate phases of design and construction. DOTPF has developed a general approach and schedule for the multiple project phases, as shown in "Exhibit B" hereto. Periodically, DOTPF may revise, update and amend Exhibit B in response to evolving conditions or emerging opportunities.

Although this Agreement relates specifically to the planning, design, construction and

interim operation of the Seward Highway through the Area of Interest, DOTPF and the DNR recognize the value of further cooperative efforts in the long-term operation and maintenance of the Seward Highway within the Chugach State Park. To this end, the DOTPF and DNR agree to continue to work cooperatively toward the establishment of a long-term maintenance and operations agreement for the affected portions of the Seward Highway and Chugach State Park.

Further, the Parties recognize the value of cooperative efforts in the long-term development, operation and maintenance of their respective adjacent properties, particularly in light of the industrial nature of ARRC's business and the human safety considerations arising from the close proximity of railroad activities to the recreating public. The Parties agree to cooperate in long-term planning and operations in order to minimize potential public-railroad incidents, to increase public awareness and observance of railroad safety protocols, and, subject to the discretion of each party, to jointly and individually seek funding to enhance these goals;

Pursuant to the foregoing, the parties agree to undertake and perform the following duties:

DOTPF herewith agrees to:

1. Cooperate with DNR and ARRC during the planning, design, and construction of the relocation of various portions of the Seward Highway, the tracks of the ARRC, and related utilities within the Area of Interest;
2. Recognize the scenic and recreational values of the Seward Highway corridor and Chugach State Park and, insofar as practical, design, build and maintain the Seward Highway in a manner compatible with and supportive of those values;
3. Recognize the importance to ARRC of a corridor fully 200 feet in width for the safe conduct of rail operations, and the continuing need for ARRC to maintain full management authority within its corridor, whether original or relocated, subject to the establishment of a surface management authority line in specific locations whether the highway and rail facilities are both necessarily within the 200-foot rail corridor. It is intended that operation of such a management authority line will be similar to that provided in previous agreements between ARRC and DOTPF;
4. Recognize the human and operational safety considerations that can adversely impact ARRC and the public interest when the motoring or

recreating public are afforded a more direct and inviting access to facilities adjacent to or in the vicinity of an operational railroad track and, insofar as practical, design, build and maintain the Seward Highway in a manner compatible with and supportive of these considerations;

5. Cooperate with DNR to construct and maintain highway turnouts and other roadside facilities along the Seward Highway for the purposes of highway safety, recreation, and scenic viewing. Such maintenance to include snow removal and maintenance of the asphalt surface and other facilities installed by DOTPF;
6. Recognize the importance to ARRC of the existence and exact location of utilities within the rail corridor, and, insofar as practicable, plan and design the individual projects in a manner so as to place ARRC in its new alignment in the same position relative to utilities as it was within the old alignment, unless placement otherwise is approved by ARRC;
7. Enter into temporary construction permits or similar agreements authorizing entry onto ARRC property for individual phases of the project, subject to ARRC approval of design plans and specifications as they relate to or affect ARRC property or operations; and execute amendments to the Blanket Permit adding relocated rail corridor thereto upon completion of a project phase;
8. Give reasonable consideration to ARRC requests to accommodate toe of slope or fill needs outside the 200-foot corridor limits where justified by geographic conditions;
9. Appraise the existing Seward Highway corridor, the ARRC corridor, and the relocated highway and railroad corridors within the Area of Interest, and provide separate valuations for any additional area required by DOTPF or ARRC that are outside the existing corridors;
10. Provide preliminary right-of-way maps for the new segment alignments to DNR and ARRC according to the schedule indicated in Exhibit B.
11. Provide as-built surveys of all relocated rights-of-ways and railroad corridor to DNR and the ARRC. DOTPF shall undertake said surveys in a diligent and timely manner following completion of construction activities and will use its best efforts to complete the as-built surveys within 12 months following completion of construction activities under this MOA;

12. Provide a legal description of the relocated railroad corridor to DNR sufficient to enable the Commissioner of DNR to convey property interests to ARRC as required by Section 6 of Ch. 116, SLA 2000.
13. Relocate the 300-foot Seward Highway right-of-way based upon the as-built survey of centerline and right-of-way limits after completion of all phases of construction, relinquishing to the appropriate party any right, title, and interest of DOTPF to those lands outside the relocated right-of-way;
14. Define and monument the relocated 200-foot ARRC corridor and any and all affected, relocated utilities based upon a survey of centerline and corridor limits after construction. The relocation survey will establish survey control ties to the affected 9000 Series U.S. surveys;
15. Conduct all land title research and prepare all property interest transfer documents or conveyance plats with the cooperation and assistance of DNR's Division of Mining, Land and Water's Realty Services Section and, with respect to existing and relocated railroad corridor, with the cooperation and assistance of ARRC's Real Estate Department;
16. In cooperation with ARRC and DNR, draft and submit to the Legislature the information required under Ch. 116 SLA 2000, Section 8.

DNR herewith agrees to:

1. Cooperate with DOTPF and ARRC during the planning, design, and construction of the relocation of various portions of the Seward Highway, the tracks of the ARRC, and related utilities within the Area of Interest;
2. Cooperate with ARRC and DOTPF to identify and take steps during the planning and design stage of any part of a project within the Area of Interest to minimize actual or perceived public access to the active rail corridor in the interest of public safety;
3. Upon completion of the multi-phased project, convey to ARRC a property interest in land identical in quality to that received by ARRC from the United States pursuant to ARTA with respect to the existing railroad corridor;
4. Prior to execution of a final conveyance of the relocated railroad corridor,

and following any required public notice, issue ARRC an interim exclusive permit or other property interest that will provide ARRC with sole management authority over the relocated corridor consistent with AS 42.40, including but not limited to the power to issue permits, licenses or other contracts to third parties for activities within the railroad corridor and retain revenues therefrom;

5. Cooperate with DOTPF in matters of highway maintenance and operation to provide for safe and efficient highway operation as well as to optimize highway-related scenic and recreational opportunities;
6. Cooperate with DOTPF in the relinquishment of rights-of-way rendered no longer necessary as a result of the relocation activities, and the establishment of new rights-of-way as needed to accommodate the newly established alignments of same. This reconciliation of abandoned and new rights-of-way is to occur at the end of the multi-phased project;
7. Permit DOTPF reasonable access to the existing alignment, and any portion of the realigned Seward Highway within the Area of Interest for the purposes of maintenance and operation such as working on avalanche catchment basins;
8. Grant DOTPF a right-of-entry under a Special Park Use Permit, subject to 11 AAC 18 and reasonable permit stipulations, for access to and along the existing Seward Highway alignment, proposed realignments, and any new alignments within the Area of Interest during construction of the relocated highway, railroad and utilities, to construct roadside facilities and avalanche control features, and any other reasonable activities necessary to the conduct of activities herein described;
9. Cooperate with ARRC in the planning, design and construction of other ARRC-initiated realignments that may not affect the Seward Highway but may afford the ARRC significant operational and safety enhancements;
10. Provide advance notice to DOTPF and ARRC of plans for the development and operation of park facilities or programs that may affect highway and/or railroad operations and cooperate with DOTPF and/or ARRC to minimize the impact of such facilities or programs on facility safety and operations.

ARRC herewith agrees to:


1. Cooperate with DOTPF and DNR in all matters described above, particularly with respect to the timely review, approval and consent to all necessary ARRC realignments that arise as a result of the Seward Highway realignment;
 2. Provide timely input into the planning, design and construction processes for highway and park projects, and for specific relocations of various portions of the ARRC tracks within the Area of Interest, with a particular focus on railroad and public safety;
 3. Accept the relocated 200-foot railroad corridor based upon a monumented survey of centerline and corridor limits after construction of all phases of construction;
 4. Relinquish to the appropriate party any right, title, and interest of ARRC to those lands outside the relocated corridor, provided that the ARRC may, subject to approval of DNR and DOTPF, select additional rights-of-way from adjacent and contiguous properties to augment the realigned ARRC right-of-way. It is the intent that such additional rights-of-way will be linear in shape, that the additional rights-of-way be necessary for specific, intended uses (such as rail sidings, parking, or slope containment) and that the total land area included within the combined realigned and additional rights-of-way will not exceed the total land area that had been included within the previously existing ARRC rights-of-way;
 5. Diligently pursue and seek to obtain a revision to ARTA that would revoke or substantially modify the reversion provisions which apply to ARTA-transferred property no longer used for transportation, communication or transmission purpose, so as to make more feasible the relinquishment of old corridor to DNR for park purposes;
 6. For purposes of new right-of-way acquisition for the realigned ARRC corridor and the relinquishment of previously existing rights-of-way outside the relocated corridor, the ARRC agrees to include the Bird Point to Girdwood segment of the realignment project as part of this MOA.
-
7. Grant DOTPF a right-of-entry for access to and along the existing ARRC alignment, proposed realignments, and any new alignments within the Area of Interest for activities necessary to the conduct of activities herein described.

V. Additional Terms

1. This MOA may be amended by consent of the parties.
2. Nothing in this MOA is intended to conflict with any federal, state, or local law or regulation.
3. The term of this MOA is ten (10) years unless extended or terminated sooner by mutual consent or otherwise terminated due to a material breach at the option of the non-breaching party.
4. The term of the Blanket Permit, as previously modified by the 1993 MOA and as applicable within the Area of Interest, is extended to a period of 35 years from the date of execution of this MOA.

The Parties do herewith accept and agree with the principles and obligations herein set forth as evidenced by their signatures below.

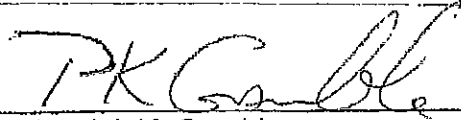
STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES

By:  Oct 16, 2001
Marty K. Rutherford Date
Its: Deputy Commissioner Pat Pouchot

STATE OF ALASKA DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

By:  Oct 10, 2001
David R. Eberle Date
Its: Director, Central Region

ALASKA RAILROAD CORPORATION

By:  10/11/01
Patrick K. Gamble Date
Its: President & CEO

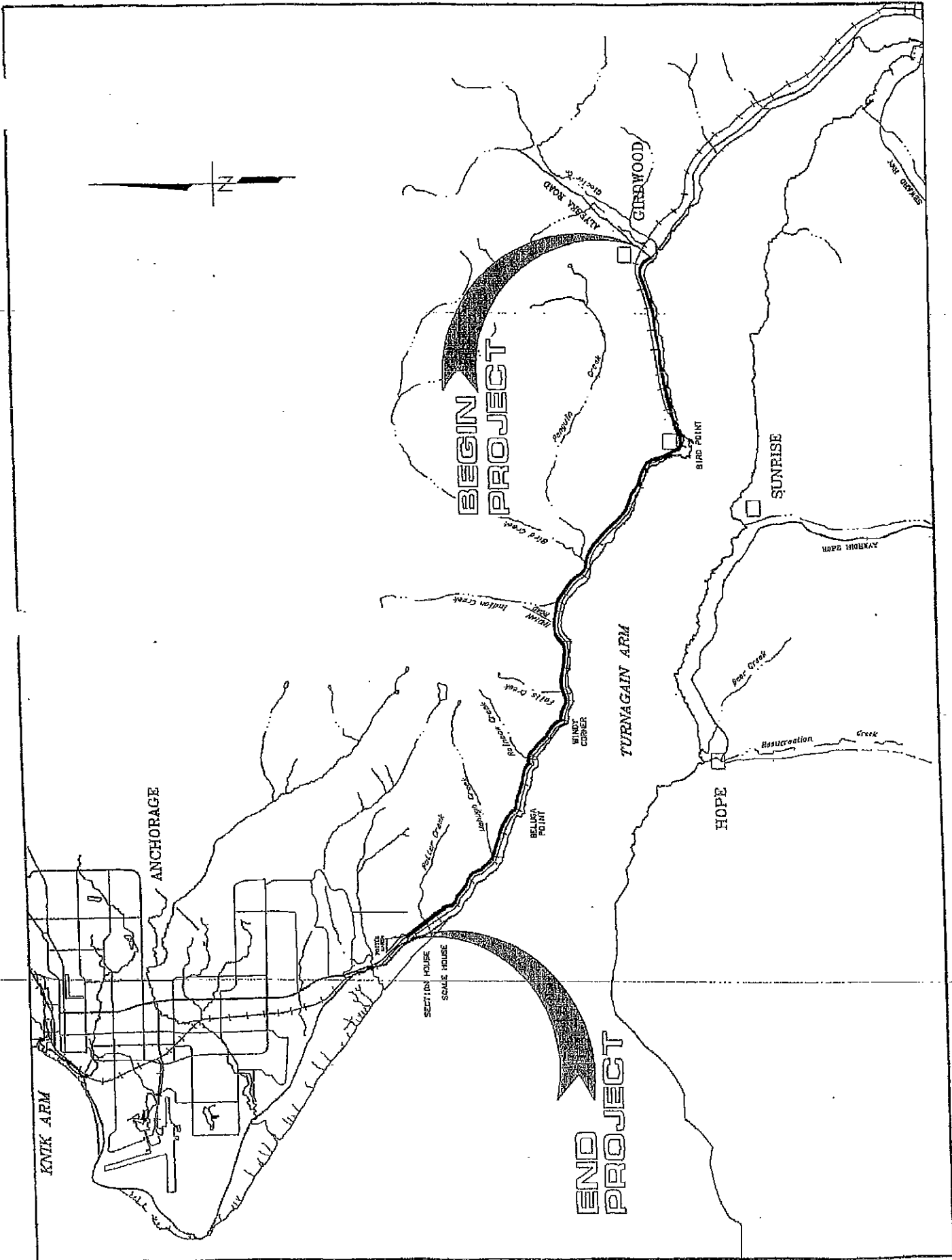


Exhibit B
to
Memorandum of Agreement

Seward Highway Realignment – Potter Station to Girdwood

The phasing schedule for the Seward Highway Realignment, as of the date of the Memorandum of Agreement, is as follows:

<u>Phase</u>	<u>Planning & Design</u>	<u>Construction</u>	<u>ROW Map</u>
MP 97 - 99	2000 - 2001	2002-2003	Spring 2002
MP 104 - 115	2002 - 2003	2004-2005	Spring 2004
MP 99 - 104	2004 - 2005	2006	Spring 2006