

**MEMORANDUM OF AGREEMENT
BETWEEN
ALASKA RAILROAD CORPORATION
AND THE
MATANUSKA-SUSITNA BOROUGH
FOR INITIAL DEVELOPMENT OF THE PORT MACKENZIE RAIL LINE
EXTENSION WITHIN THE MATANUSKA-SUSITNA BOROUGH**

This Memorandum of Agreement (hereinafter referred to as "MOA") is made and entered into this 28th day of June 2007, by and between the ALASKA RAILROAD CORPORATION, (hereinafter referred to as the "ARRC"), acting by and through the Office of its President and the MATANUSKA-SUSITNA BOROUGH (hereinafter referred to as the "MSB"), acting by and through the Office of the Borough Manager.

ARTICLE I – BACKGROUND:

Port Mackenzie has a deep draft dock that does not require dredging and can serve the world's largest ships, i.e. Panamax and Cape Class Vessels. The Port's upland 8,940 acres and 1,300 tideland acres provide space for bulk resource storage, transport and processing that is unsurpassed by any other port in South Central Alaska. Sufficient space is available to allow rail and terminal facilities which will allow trains to load or unload efficiently.

Construction of a rail line to Port Mackenzie will maximize the Port's potential as a bulk material resources export and import facility. The rail line will make it possible for several new resource development projects to be initiated in Interior and South Central Alaska. Rail belt communities will benefit from new natural resources related activities, employment and income which would contribute to the state and community tax base and overall economic health.

Pursuant to 49 U.S.C. 10501, the federal Surface Transportation Board ("STB") has exclusive jurisdiction over the construction and operation of rail lines and, pursuant to 49 U.S.C. 10901, authorization must be obtained from the STB for rail line construction and operation. Rail extensions are a major federal action and the authorization of rail line construction by the STB is subject to the National Environmental Policy Act ("NEPA") as well as other environmental statutes. Accordingly, the development of an Environmental Impact Statement ("EIS") and other environmental documentation will be required to obtain STB authorization for construction and operation of the proposed rail line to Port Mackenzie.

ARTICLE II – OBJECTIVE:

ARRC and MSB share a mutual desire, if economically or financially feasible, to provide a rail line between Port Mackenzie and the Alaska Railroad mainline to facilitate South Central and Interior Alaska resource and economic development. The primary objective of this MOA is to formalize a cooperative effort by the parties to submit an application to the STB for approval of the construction and operation of the proposed rail extension and develop preliminary engineering, a feasibility analysis, an EIS and other environmental

documentation the STB may require for such approval (hereinafter collectively referred to as the "Project"). It is mutually understood and agreed that the costs incurred by both parties related to their performance under the terms and conditions of this MOA shall be paid from the \$12 million in State of Alaska general funds that the 25th Alaska Legislature appropriated to MSB for the Project subject to the appropriation being signed into law by the Governor.

ARTICLE III – STATEMENT OF WORK

A. General:

1. MSB shall be the Executive Director for the Project and the ARRC agrees to cooperate with the MSB Executive Team to the extent safety, financial, and railroad engineering considerations will permit.
2. Preliminary design, engineering, public participation and financial analysis reports prepared by consultants engaged by the joint MSB & ARRC management team will be brought before the MSB Planning Commission and Assembly for consideration and appropriate action before such reports are forwarded to the US Surface Transportation Board.
3. MSB and ARRC agree to form an Executive Management Team which:
 - a. will be composed of the Vice President, Projects, Engineering, Technology, Signals (PETS) of the ARRC and MSB's Executive Project Manager.
 - b. will coordinate and supervise all MSB and ARRC activities pertaining to the Project.
 - c. will be advised of all legal counsel actions related to the STB approval process. A separate agreement on the joint legal counsel process will be developed by the ARRC and MSB.
 - d. will approve final contractor selection.
 - e. will facilitate cooperation between MSB and ARRC Project participants.
 - f. will approve Project budgets and oversee expenditures.
 - g. will coordinate property acquisition for the proposed rail extension.
4. Should the STB require work beyond the available funding, the ARRC and MSB agree to work cooperatively to attempt to obtain the additional funding as required.

B. The MSB agrees to:

1. Distribute up to \$12 million in appropriated state funds to the respective parties to reimburse them for reasonable costs incurred to complete the STB application and EIS process.
2. Contracts – (including 3rd party contracts)
 - a. Provide input for consultant solicitations.
 - b. Participate in the selection of consultants.
 - c. Approve Reimbursable Service Agreements (“RSAs”).
3. Disburse reimbursements and billings by:
 - a. Paying the STB application fee and reasonable related costs.
 - b. Paying consultant and legal counsel billings related to the Project.
 - c. Reimbursing ARRC on a monthly basis based on ARRC Project billings. Overheads will be agreed to by MSB and ARRC’s Finance Officers in advance.
 - d. Reimbursing MSB on a monthly basis based on MSB Project billings. Overheads will be agreed to by MSB and ARRC Finance Officers in advance.
 - e. After reviewing and approving RSAs, pay any amounts due thereunder.
4. Oversee Public and Governmental Affairs at all levels.
5. Provide direction regarding the community planning process.
6. Provide space for public meetings at MSB facilities, as space requirements permit.
7. Provide planning expertise regarding land use controls.
8. Provide technical and facilitative assistance, as appropriate.
9. Maintain link to the Project website from the MSB website.
10. Direct preparation of Project documentation for the STB, consultants, and other agencies.

11. Direct the efforts to secure additional monies, if necessary, to fund design, permitting and construction phases once a preferred route is identified by the EIS.

C. Under MSB direction, the ARRC agrees to:

1. Contract for services –
 - a. Prepare Requests for Proposals (“RFPs”) for consultants including the 3rd party contract for STB EIS preparation.
 - b. Participate in the selection and recommendation of consultants.
 - c. Sign and administer consultant contracts.
 - d. Pay Project related invoices.
 - e. Provide adequate documentation to MSB for reimbursement of Project costs.
2. RSAs with other agencies –
 - a. Negotiate Scope of Work and reimbursements.
 - b. Sign and administer RSAs.
 - c. Pay Project related invoices.
 - d. Provide adequate documentation to MSB for reimbursement of reasonable ARRC Project costs.
3. Submit billings to MSB on a monthly basis for all Project work accomplished by ARRC [date to be determined after discussion with MSB and ARRC Finance Departments].
4. Participate in overhead agreements that allow for MSB and ARRC overheads to be charged for Project activities.
5. Act as Project point of contact in dealing with the STB, as Applicant, including preparation and submittal of necessary documents to the STB as directed and funded by the MSB.
6. Assist with public involvement at all levels.
7. Provide ARRC information regarding the community planning process.
8. Provide space for public meetings at ARRC facilities, as directed and as space requirements permit.

9. Provide planning expertise and oversight for transportation improvements to the rail line extension as directed by MSB.
10. Provide technical and facilitative assistance, as requested by MSB.
11. Maintain link to the Project website from the ARRC website.

D. The MSB and ARRC mutually agree:

1. This MOA shall remain in force until the EIS Record of Decision is issued by the STB or in accordance with terms in Article IV of this MOA.
2. This MOA may be extended or modified by mutual written agreement of the signatory parties to accommodate future Project phases including financing, design, property acquisition, permitting, and construction.
3. Nothing in this MOA shall obligate any party for the expenditure or appropriation of funds, or for future payments of money, in excess of appropriations authorized by law.
4. Each party will be responsible for its own acts and the results thereof and each party shall not be responsible for the acts of the other party in violation of this MOA.
5. If legal action is undertaken against the Project, MSB and/or ARRC as a result of activities under this MOA, the Project will bear the costs of legal defense and settlements if appropriations remain. Otherwise each party agrees it will assume the risk and liability resulting in any manner from its own activities under this MOA.
6. Each party will comply with all applicable laws, regulations, and executive orders relative to Equal Employment Opportunity and prohibition against discrimination.
7. All non-proprietary information developed, published or acquired will be available to the MSB and the ARRC for their use with this or other projects. Proprietary information will be defined by statutes. Credit will be given to agencies or parties that develop Project materials.
8. Any provision in conflict with any law or regulation shall be automatically preempted by that law or regulation, and any provision found unconstitutional, unenforceable, void or voidable by any court shall not affect the remaining provisions of this MOA. The remaining provisions shall remain in full force and effect.

9. To jointly conduct a feasibility study the purpose of which is to determine the economic viability of the Project.
- E. As directed by the MSB, ARRC agrees to prepare an overall project schedule to accomplish:
1. Planning and development of an EIS for the Project.
 2. Monthly meetings, scheduled and more frequently if directed, to share information, and coordinate implementation activities.
 3. Meetings that shall be identified in the schedule to provide the necessary public involvement effort.
 4. Monitoring and evaluation of the progress of Project development, including additional planning, associated studies, and mitigation actions, and assure appropriate linkages between activities.
 5. All Project activities as quickly as possible considering that time is of the essence.

ARTICLE IV – TERM OF AGREEMENT

This MOA will commence upon the date of the final signature of this document and shall remain in effect for a period of three years or until terminated as provided in Article VII.

ARTICLE V – KEY OFFICIALS

- A. Key officials are essential to ensure maximum coordination and communications between the parties and the work being performed. They are:

For the ARRC:

Signatory

Pat Gamble, President and CEO

Alaska Railroad Corporation

P.O. Box 107500

Anchorage, Alaska 99510-7500

(907) 265-2403

gamblep@akrr.com

Executive Project Manager

Eileen Reilly, V.P., PETS

Alaska Railroad Corporation

P.O. Box 107500

Anchorage, Alaska 99510-7500

(907) 265-2655 cell (907) 441-9109

reillye@akrr.com

Project Manager

Brian Lindamood

Alaska Railroad Corporation

P.O. Box 107500

Anchorage, Alaska 99510-7500

(907) 265-3095 cell (907) 441-6088

lindamood@akrr.com

For the MSB:

Signatory/Administrative – Borough Manager

John Duffy, Borough Manager

Matanuska-Susitna Borough

350 E. Dahlia Avenue

Palmer, Alaska 99645

(907) 745-9689

john.duffy@matsugov.us

Executive Project Manager

Joseph Perkins

P.O. Box 20129

Juneau, Alaska 99802

(907) 364-3450 Cell (907) 321-5300

(member – project Executive Management Team)

engrperk@msn.com

Local/Coordinator
Brad Sworts – Transportation and Environmental Manager
Matanuska-Susitna Borough
350 E. Dahlia Avenue
Palmer, Alaska 99645
(907) 746-7430
brad.sworts@matsugov.us

- B. Communications – The parties to this MOA will address any communication regarding this MOA to the Key Officials listed above.
- C. Changes in Key Officials – None of the parties may make any permanent change in a Key Official without written notice to the other parties thirty (30) days in advance of the proposed change.

ARTICLE VI – PRIOR APPROVAL

Any amendment, revisions, addenda, extensions, or reaffirmation of this MOA must be in writing and be approved and signed by appropriate authorities.

ARTICLE VII – MODIFICATION AND TERMINATION

- A. Only a written instrument executed by the parties may modify this MOA.
- B. Any party may terminate this MOA for any reason, or for no reason, by providing the other party with sixty (60) days advance written notice.

ARTICLE VIII – SPECIAL PROVISIONS

- A. All actions under this agreement shall follow all appropriate state and federal laws.
- B. No party will unilaterally publish Project materials without consulting the other party. This restriction does not apply to previously published technical matter.

IN WITNESS HEREOF, the parties hereto executed this MOA on the date(s) set forth below,

For the ARRC

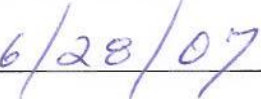
Signature: _____



Name: Patrick K. Gamble

Title: President and CEO

Date: _____



For the MSB

Signature: _____



Name: John Duffy

Title: Borough Manager

Date: _____

