November 8, 2017

To: Parties listed on Exhibit A

Subject: Notice of Mutual Agreement No. 2017-5 - Request for Approval under Amended and Restated Alameda Corridor Use and Operating Agreement

Matter: Continuation of the Alameda Corridor Reserve Account Target at $15 Million for the five-year period from January 1, 2018 through December 31, 2022

Dear Sir or Madam:

Reference is made to that certain Amended and Restated Alameda Corridor Use and Operating Agreement dated as of December 15, 2016 (the “Agreement”), by and among the BNSF Railway Company (“BNSF”), Union Pacific Railroad Company (“UP”), the City of Los Angeles, acting by and through its Board of Harbor Commissioners (“POLA”), the City of Long Beach, acting by and through its Board of Harbor Commissioners (“POLB”), and the Alameda Corridor Transportation Authority (“ACTA”).

The Agreement governs the use and operation of the Alameda Corridor and, among other things, contains provisions which require certain decisions to be made from time to time by either Mutual Agreement (as defined in the Agreement) or unanimous consent/approval. Mutual Agreement requires the approval of at least three of the following four parties: BNSF, UP, POLB, and POLA. Unanimous consent/approval requires the approval of all four parties. Pursuant to the terms of the Agreement, ACTA does not approve or disapprove any such matters.

Attached as Exhibit B is Notice of Mutual Agreement (NMA) No. 2017-5, for which approval is requested with respect to matter described therein (the “Matter”). Please advise ACTA at the address listed above, in writing via email, of your approval (or disapproval) of the Matter no later than December 1, 2017. Once all responses are received, ACTA will send a letter to the parties with the results.

If there are any questions, please advise.

Sincerely,

[Signature]

John T. Doherty, P.E.
Chief Executive Officer
EXHIBIT A
LIST OF PARTIES

Port of Los Angeles
425 South Palos Verdes Street
San Pedro, California 90733
Attn: Executive Director
Email: gene_seroka@portla.org

Port of Long Beach
4801 Airport Plaza Drive
Long Beach, California 90815
Attn: Executive Director
Email: mario.cordero@polb.com

BNSF Railway Company
2500 Lou Menk Drive
AOG -Garden Level
Fort Worth, Texas 76131
Attn: Assistant Vice President - Contracts &
Joint Facilities
Email: sarah.bailiff@bnsf.com

Union Pacific Railroad Company
1400 Douglas Street -Stop 1160
Omaha, Nebraska 68179
Attn: Executive Vice President of
Operations
Email: jointfacilitycontracts@up.com

Cc:
Email: Brian.Aman@bnsf.com
Email: MMartinson@UP.com
Email: tgioiello@portla.org
Email: carlo.luzzi@polb.com
Email: hmccloskey@portla.org
Email: Lauren.Misajon@longbeach.gov
Email: duane.kenagy@polb.com
EXHIBIT B

NOTICE OF MUTUAL AGREEMENT

Number: 2017-5

Subject: Approval to Continue to Maintain the Alameda Corridor Reserve Account Target at $15 Million

Recommendation:

Approve the continuation of the Alameda Corridor Reserve Account Target at $15 million for the 5-year period from January 1, 2018 through December 31, 2022.

Discussion:

Pursuant to Section 7.4(e) of the Amended and Restated Alameda Corridor Use and Operating Agreement dated as of December 15, 2016 (the “Agreement”), the Ports and Railroads are required to review and adjust, as necessary, the Reserve Account Target (“Reserve Account Target”) every 5 years following substantial completion of the Alameda Corridor. The Ports and Railroads are hereby requested to set the Reserve Account Target for the next 5-year period beginning January 1, 2018 through December 31, 2022.

The Agreement requires that the Reserve Account Target shall be reviewed and adjusted every 5 years and equal:

"...one-fifth of all costs potentially covered by the Reserve Account (including M&O Charges) that are projected to be incurred during the upcoming 5-year period, taking into account all relevant factors, including (i) projected increases in such costs for the upcoming 5-year period, (ii) the anticipated inflation rate over the upcoming 5-year period, and (iii) any extraordinary maintenance, betterments or capital improvements or replacements that are anticipated to be made over the upcoming 5-year period."

The Agreement further requires that in no event shall the Reserve Account Target be reduced below $15 million. Use Fees and Container Charges received by ACTA fund the Reserve Account as further described below. Since 2002, the Reserve Account Target has been maintained at $15 million during each 5-year period. A review of the next 5-year period from January 1, 2018 to December 31, 2022 indicates that a continued Reserve Account Target of the minimum $15 million would likely be sufficient. It is estimated that no more than $25 million will be spend during the next 5 years barring any catastrophic event. [It would take a five-year estimate of greater than $75 million to
trigger an increase above the current $15 million. Only about $3 million is currently spent from the Reserve Account each year.]

**Background:**

Pursuant to the terms of the Master Trust Indenture, ACTA established a fund to be held in trust by the trustee known as the Reserve Account, which ensures ACTA bond holders that sufficient funds are available to keep the Corridor operational and in good repair. It is used to fund certain annual maintenance and capital expenses, as more fully described in Section 7.4 (a) of the Agreement. These expenses in general include, but are not limited to, certain maintenance, capital improvements and capital replacement items including those designated as Capital Expenses as was the subject of NMA 2017-4.

These estimated annual costs are included in the annual MOW and O&M budgets, which are prepared each year by the Maintenance Contractor and reviewed and approved by the Ports, Railroads, and ACTA pursuant to the Agreement. To the extent that funds in the Reserve Account fall below the Reserve Account Target, they are required to be restored each year on or about October 1st.

**Please provide your acceptance and approval by affixing your signature, name and title below:**

**Port of Los Angeles**

By: ____________________________

Printed Name: ____________________

Title: __________________________

Date: __________________________

**BNSF Railway Company**

By: ____________________________

Printed Name: ____________________

Title: __________________________

Date: __________________________

**Port of Long Beach**

By: ____________________________

Printed Name: ____________________

Title: __________________________

Date: __________________________

**Union Pacific Railroad Company**

By: ____________________________

Printed Name: ____________________

Title: __________________________

Date: __________________________