



## USIBELLI COAL MINE, INC.

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January 24, 2019

### **RE: UCM Sales of Tri-Valley Subdivision Land**

Dear Tri-Valley Subdivision sublease holders:

#### **Background**

In 1977 Usibelli Coal Mine (UCM) leased land from the Alaska Railroad Corporation (“ARRC”) to develop the Tri-Valley Subdivision. UCM wanted to provide an opportunity for mine personnel and their families to own homes and create a community, however, available land in the surrounding area was predominantly owned by the ARRC. As a solution to meet the demand for residential housing and necessary facilities, the ARRC leased land to UCM, and UCM developed roads, installed utilities, and subdivided the property into building lots. While UCM was the lessee of the land, individuals and entities subleased lots from UCM where they have built and own homes and buildings located on those subleased lots.

In October we sent you a letter informing you that UCM bought the land in the Tri-Valley Subdivision from the ARRC. Furthermore, we notified you of UCM’s intention to make the individual lots available for purchase by each person who leases that lot from UCM. This letter sets forth information about that process and our best estimate of the timing for it.

#### **Establishment of Common Interest Community**

As all of you know, the leases between UCM and each tenant contain identical provisions regarding activities on the lots. Each of you agreed to these provisions when you signed your lease, and you knew that your neighbors also agreed to comply. These provisions protected all residents, but those protections will end on a lot by lot basis as lots are sold. In addition, UCM, as the landlord, provides certain services such as road maintenance and snow plowing in the subdivision. The Denali Borough has informed UCM that it will not provide snow removal or road maintenance in the subdivision.

Because UCM does not want the lot sales to create friction between neighbors, it will record a Declaration with provisions that closely mirror the provisions of your current leases before it starts selling lots. The Declaration implements a planned community with a homeowners’ association called the Tri-Valley Subdivision Homeowners Association, Inc. (the “HOA”). Each person who owns a lot will have a vote to elect a board of directors. This board will enforce the decisions a majority of the lot owners make and will hire someone to provide services like road maintenance, snow plowing and association administration. The maintenance and other costs will be paid through annual dues each lot owner pays to the HOA. If, at some point, the Denali Borough agrees to take on these responsibilities, the lot owners can agree to terminate the HOA and pay any taxes or fees the Denali Borough imposes.

Because some of you might not be familiar with these types of homeowners’ associations, we have included a list of frequently asked questions with responses. In addition, after the Declaration is recorded, the HOA documents will be available for your review on our website, [www.TrivalleyHOA.com](http://www.TrivalleyHOA.com). Three documents (the articles of incorporation, the bylaws and the declaration) will spell out how the HOA membership works, how the HOA funds are handled, how to become an HOA board member, etc. The annual HOA dues will vary depending on the size of a lot, but we anticipate that annual dues for a one acre lot will be around \$220. Annual dues for larger lots will be calculated on the same basis (i.e., dues for a 1.5 acre lot will be around \$330 and dues

for a 2 acre lot will be around \$440), but will not exceed the statutory cap per lot (currently around \$630). Lot owners will have to abide by the terms of the Declaration, many of which closely mirror the current sublease restrictions (typically found in Section 16 of your sublease). For those of you who do not choose to buy your lot, UCM will continue to honor and enforce the terms of your sublease.

### **Purchase Opportunity in 2019**

UCM is setting up a process to sell the residential lots to current sublessees. UCM has set a price per acre of \$2,750 which we will honor for sales to our current lessees that close prior to December 31, 2020 and sales of lots that occur simultaneously with sales of a current lessee's house that close prior to that same date. For sales that close after a lease is assigned and sales that close after that date, UCM may obtain an appraisal and adjust the price accordingly. UCM encourages you to contact your lender about this opportunity and the impact of your purchase of your lot on any deed of trust that you may have granted on your house and leasehold interest.

As a condition of purchasing your leased lot, you will automatically become a member of the HOA. Please note that all violations under your lease will have to be corrected before UCM will sell your lot to you or anyone else.

UCM will be sending another letter around the end of February confirming that everything is in order for sales of the lots and informing you of the offered sales price and next steps. In addition, over the years UCM has approved the operation of certain small businesses within the Tri-Valley Subdivision. The Declaration authorizes the board of directors of the HOA to approve existing businesses at one of its first meetings, and UCM would like to make sure that the approved list it provides to the board of directors is complete. If you operate a small business on your lot, please contact UCM Controller, Rebecca Galasso, at [rebecca@usibelli.com](mailto:rebecca@usibelli.com) or (907) 683-9706. If you are interested in purchasing your lot or have any questions on this letter please contact Ms. Galasso via telephone or email.

Sincerely,



Glen A. Weaver  
VP, Finance

## Frequently Asked Questions

**1. What are the benefits of buying my lot versus continuing to lease?**

- A. Owning the land under your house provides more security to you as a homeowner. As a tenant, your ownership of your house ends when the lease terminates—which can happen before the expiration date set forth in your lease if you violate the terms of the lease. UCM also encourages you to ask a real estate broker to describe the impact land ownership is likely to have on the value of your home.

**2. How did UCM determine the initial price per acre for lot sales?**

- A. UCM's initial offering price was set in order to allow it to recover the cost of buying the property from the Alaska Railroad as well as establishing the Tri-Valley Subdivision Homeowners Association.

**3. Is the land sales price UCM is offering a good deal?**

- A. That is for each lessee to decide. You may want to talk to a local appraiser, a lender or other property owners in Healy to ask what they paid for their land.

**4. Will the sales price change?**

- A. It will probably increase. UCM wants to incentivize the purchase of the lots so that homeowners who are current tenants will buy them before the end of 2020. We have decided to offer this introductory price for an initial period of time to allow our tenants to own the land their homes are built on. Once that period ends, UCM's continued ownership of the property means that it continues to have costs that it needs to recover in the future.

**5. I don't want to buy my lot right now, can I continue to lease my lot from UCM?**

- A. Yes, your lease with UCM will remain in effect under the terms you agreed to. You have every right to continue to occupy your lot under the provisions of that lease until it expires or it is terminated pursuant to its terms.

**6. If I continue to lease my lot, will I be responsible for also paying the HOA dues?**

- A. No. If you continue to lease your lot, you will only be responsible to continue to pay UCM the amounts due under your lease. UCM will own your lot, and UCM will be responsible to pay the HOA for the services the HOA provides such as road maintenance.

**7. Can someone else come in and buy the land under my house?**

- A. No. UCM has decided that each lot will only be sold to the current lessees or to a person who is simultaneously buying the house from a lessee as mentioned below in question 8. When a lease ends for any reason, UCM will sell the land and house to any interested person.

**8. I am going to sell my house. Will the person who wants to buy my house be allowed to buy the lot? What will happen to my lease with UCM?**

- A. Your house buyer can buy your lot from UCM simultaneously with the purchase of your house and pay only \$2,750 per acre if the lot and house sale close simultaneously before December 31, 2020. But if your buyer purchases your house without purchasing the lot at the same time, your buyer could pay a much higher price per acre for the lot—no matter when the lot sale closes. The lease will terminate when the lot is sold. This means your buyer (and the buyer's lender) will no longer have to worry about losing title to the improvements due to the expiration or earlier termination of the lease.

**9. What happens if I never buy my lot from UCM?**

- A. Paragraph 17 of your sublease provides that when the lease expires or terminates for any reason, UCM shall become the owner of all of the improvements on that lot, including your house.