



ALASKA RAILROAD CORPORATION

BOARD RULE NO. 14

Adopted March 16, 1987

Amended June 29, 1989 (Resolution 89-11)

Amended Nov. 15, 1990 (Resolution 90-26)

Subject: Code of Ethics

Purpose: Adopts a Code setting out the ethics and moral standards required by the Corporation to be followed by its directors and employees.



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RULE NO. 14

CODE OF ETHICS

Pursuant to Alaska Executive Branch Ethics Act (AS 39.152.010), the Alaska Railroad Corporation proposes to adopt a Code of Ethics for its directors and employees. The Code pertains to the high ethics and moral standards required of railroad directors and employees.



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DEPARTMENT

Personnel

PURPOSE

This document delineates the ARRC Code of Ethics and administration procedures for all Directors and employees of the Alaska Railroad Corporation. This Code supercedes Internal Rule 900.

RESPONSIBILITIES

Director of Personnel - Interpretation and Administration of this Code for employees.

General Counsel - Interpretation and Administration of this Code for Directors and consultation on potential violations of Code for employees.

All Directors and Employees - Comply with Paragraph 64-9.05 of this Code.

REFERENCES

AS 42.40.230
AS 42.40.710
Board of Directors Rule No. 6
Internal Rule 900.0 (Superceded)

DOCUMENTATION

Conflict of Interest Disclosure Statements

RETENTION

3 years

DISTRIBUTION

All ARRC Directors and Employees

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64-9.01 ARRC Code of Ethics:

.01 Application: Pursuant to AS 42.40.710, this Code shall apply to all Directors and employees of the Corporation. For purposes of this Code, the term "employee" shall include Executive Officers of the Corporation. The activities of Directors and Executive Officers of the Corporation shall also be governed by AS 42.40.230 and Board of Directors Rule No. 6. In the event of a discrepancy between this Code and AS 42.40.230 or Board of Directors Rule No. 6 or any other rule regarding this subject matter, the more restrictive shall apply.

.02 Code: No Director or employee shall use his official position, Corporation funds, property, or assets, or use or disclose information gained by reason of his official position with the Corporation for a purpose that is or may appear to be primarily for the personal gain of the employee or any other person or entity. No Director or employee shall engage in any transaction or activity which is or may appear to be in conflict with the proper performance of his official position, or which impairs or appears to impair his exercise of independent judgment in the proper performance of his official position.

.03 Employment and Placement of Relatives: No relatives of employees shall be hired, promoted, or transferred if such hiring, promotion, or transfer would create a regular and on-going direct supervisory relationship with the employee. For purposes of this policy, the term "relatives" includes spouses or spousal equivalents, mothers, fathers, children, step-children, sisters, brothers, mothers and fathers-in-law, sons and daughters-in-law, cousins, aunts and uncles, and nieces and nephews.

If present employees become related, for example by marriage, to other present employees and a regular and on-going direct supervisory relationship develops, both employees will be permitted to continue their employment. The Corporation may require one of the related employees to move to another position within the Corporation, however.

.04 Impermissible Activities:

.01 Conducting Business with the Corporation: No Director or employee or member of a Director's or employee's immediate family shall: (1) directly or indirectly sell, rent, or trade any kind of property, equipment, or services to or from the Corporation; or (2) have an ownership interest in, or receive benefit, profit, or payment from any individual or entity which transacts or is seeking to transact business with the Corporation if there is an opportunity or the appearance of an opportunity for preferential treatment to be given or received. This prohibition shall not apply if the Director,



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Personnel or General Counsel finds in accordance with the Administration Section below, that the sale, rental, trade, lease, contract, or other business transacted with the Corporation was competitively solicited and the employee or Director:

- a) takes no action with respect to the award, execution, or administration of the lease, contract, etc.; and
- b) there is no opportunity or appearance of an opportunity for preferential treatment to be given or received.

.01 A Director or employee shall report in writing to the Director, Personnel Department or General Counsel, whichever is applicable, a personal or financial interest held by the Director, employee, or immediate family member in a sale, rental, trade, lease, contract or other business that is being or may be transacted with the Corporation.

.02 Nothing in the rule prohibits Directors or employees, their spouses, and dependent family members from investing in securities of publicly traded corporations that may transact business with the Corporation, subject to the proscriptions of Section 64-9.01.02 herein.

.02 Participation in Outside Activities: The Corporation does not intend to oversee its Directors' or employees' lawful activities outside the Corporation. Those activities may not, however, unreasonably interfere or create a conflict with a Director's or employee's responsibilities to the Corporation. For example:

.01 If a Director or employee wishes to serve in the capacity of an officer, consultant, or in any other similar capacity for another company, agency or business organization, he may do so only with the prior knowledge and written approval of the Director, Personnel Department or General Counsel in accordance with the Administration section below.

.02 No Director or employee shall engage in any outside activity or employment that adversely affects the Director's or employee's performance of Corporation duties, including, for the employee, timely attendance, safety awareness, availability for changed work schedules, or any other demand of the job.

.03 Directors and employees rendering services for compensation or engaging in employment outside the ARRC shall report by January 1 of each year the outside services or employment to the Director, Personnel Department, or the General Counsel under the Administration section below. During the year, any change in a Director's or employee's outside services or employment activity must be reported to the Director of Personnel or General Counsel as it occurs.



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.03 Acceptance of Gifts, Entertainment, and Services:

.01 No Director or employee or member of a Director's or employee's immediate family shall solicit or accept gifts, entertainment, services, loans, or other objects of value from anyone who solicits or transacts business with the Corporation or may do so in the future. This does not prohibit contributions that are solicited or received and reported in accordance with applicable law.

.02 A Director or employee may accept merchandise or advertising novelty gifts of a nominal value (\$50 or less) or occasional meals, entertainment, or social invitations under proper circumstances as long as the offers are neither made nor could be construed to be made for the purpose of influencing the employee in his official capacity.

.04 Benefiting from Position with the Corporation:

.01 On occasion, a Director or employee may be placed in the position of reviewing, approving, etc., a transaction between the Corporation and a member of the Director's or employee's immediate family, a business associate, or an organization employing the Director, employee, or member of the Director's or employee's immediate family or in which the Director or employee has a personal or financial interest. Such a situation presents a high risk for creating an actual or apparent conflict of interest. For that reason, any employee involvement in such a transaction (other than that of an Executive Officer) must be referred to the next supervisory level of management. Any Executive Officer or Director involvement must be divulged to the Board. Further action by the Executive Officer or Director shall be governed by ARRC Board Rule No. 6.

.02 No Director or employee shall use Corporation personnel, facilities, equipment, or supplies for personal benefit, or engage in outside activities on Corporation time without proper authority.

.03 No Director or employee shall use his official position with the ARRC to influence the employment of himself, his immediate family members, or any other person with any entity or individual.

.05 Improper Representation: A Director or employee may not represent, advise, or assist a person in any matter pending before the ARRC if the representation, advice or assistance is:



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1) for compensation, unless the representation, advice, assistance, and compensation are required by statute, regulation, or court rule, or are otherwise customary; or

2) without compensation, but rendered to benefit a personal or financial interest of the Director or employee.

This section does not prohibit activities related to collective bargaining.

.06 Restrictions on Employment after Leaving ARRC: A Director or employee who leaves ARRC service may not, for two years after leaving ARRC service, represent, advise, or assist a person for compensation regarding a matter that was under consideration by the Corporation and in which the Director or employee participated personally and substantially. For purposes of this subsection, "matter" includes a case, proceeding, application, contract, or determination, but does not include the proposal or consideration of legislative bills, resolutions and constitutional amendments, or other legislative matters, or the proposal or adoption of administrative regulations.

Nothing in this section prohibits the ARRC from contracting with a former Director or employee to act on a matter on behalf of the ARRC.

The Director, Personnel Department or General Counsel may, in accordance with the Administration section below, waive application of this subsection after determining that representation by a former Director or employee is not adverse to the interest of the public or the ARRC.

.07 Participation in Political Activities: Employees shall not engage in any type of political activities regarding the election or re-election of public officials during working hours. However, employees may communicate with and appear before committees of Congress, the state legislature, and municipal governing bodies in connection with matters directly affecting the corporation. Employees may serve on public and non-profit boards and committees so long as such public and community service does not violate other provisions of the ARRC Code of Ethics.

.05 Permissible Activities: Nothing in this Code shall prohibit the disclosure or use of information which is a matter of public knowledge or which is available to the public on request. Furthermore, nothing shall prevent the private use of Corporation property which is available on equal terms to the public generally, or the use of Corporation property in accordance with Corporation policy for the conduct of Corporation business.

.06 Aiding a Violation: It is a violation of this Code for a Director or employee to knowingly aid another Director or employee in a violation of this Code.



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64-9.02 ADMINISTRATION:

.01 For employees, this Code shall be administered by the Director, Personnel Department.

.02 For Directors, this Code shall be administered by the General Counsel.

64-9.03 DISCLOSURE AND ACTION TO PREVENT VIOLATIONS:

.01 Declaration of Potential Violations by Employees:

.01 All current or future employee activities that are or may be prohibited by this Code must be reported in writing by the employee to the Director, Personnel Department. Such report must include all of the facts and circumstances surrounding the activity. Pending a determination by the Director of Personnel, the employee shall refrain from taking action relating to the matter.

.02 The Director, Personnel Department, after consideration of the entire report and after consultation with the General Counsel regarding interpretation of the Code, shall decide whether the activity violates this Code. If a violation is found, the Director, Personnel Department may: 1) prohibit the transaction or activity; 2) take appropriate steps to eliminate the violation; or 3) work with the employee, if practicable, to arrive at a solution that meets both the employee's needs in engaging in the activity and the Corporation's interests in avoiding actual or apparent conflicts of interest.

.03 The Director, Personnel Department's decision shall be communicated to the employee in writing, with a copy, along with all supporting documentation, to the General Counsel's office.

.02 Declaration of Potential Violations by Directors: All current or future activities by Directors that are or may be prohibited by this Code must be disclosed on the public record and reported in writing by the Director to the General Counsel. Such report must include all of the facts and circumstances surrounding the activity.



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.01 The General Counsel, after consideration of the entire report, shall decide whether the activity violates this Code. If a violation is found, the General Counsel may: a) so advise the Director and assist him in eliminating the violation; b) so advise the Director and the Chairman of the Board and recommend that such violation be eliminated; or c) so advise the Board of Directors and submit the matter to the Board for a vote on the Director's continued participation in the matter. In the case of alternative (c), if a majority of the members voting determines that a violation will exist if the Director continues to participate, the Director shall refrain from voting, deliberating, or participating in the matter.

.03 Reporting of Potential Violations: Any person may report to the Director, Personnel Department or to the General Counsel, whichever is applicable, under oath and in writing, a potential violation of this Code. The Director, Personnel Department or the General Counsel shall provide a copy of the report to the employee or Director who is the subject of the report, and shall review the report to determine whether a violation may exist. The Director, Personnel Department or the General Counsel shall act in accordance with subsection 64-9.03.01 or 64-9.03.02 above, whichever is applicable, if he determines that the matter may result in a violation of this Code.

64-9.04 ENFORCEMENT; VIOLATIONS: If the Director, Personnel Department, finds that an employee has knowingly violated this Code, he may, in addition to taking the steps set forth in subsection 64-9.03.01 above, recommend to the employee's supervisor that disciplinary action, up to and including termination, be taken against the employee in accordance with the ARRC Policy and Procedure for Disciplinary Action for ARRC Executive and Key Executive Employees or the employee's collective bargaining agreement, whichever is applicable.

64-9.05 RESPONSIBILITIES OF DIRECTORS AND EMPLOYEES:

.01 All current Directors and employees shall be given a copy of this Code and shall sign a statement acknowledging receipt of the Code.

.02 At the time of hire, all new employees shall be given a copy of this Code and shall sign a statement acknowledging receipt. At the time of appointment, all new Directors shall be given a copy of this Code and shall sign a statement acknowledging receipt.

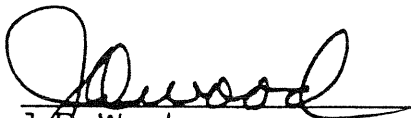


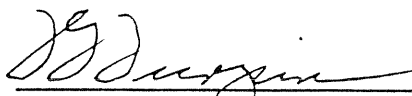
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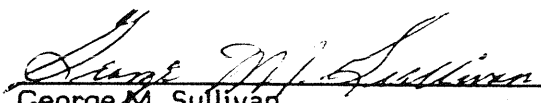
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.03 Beginning January 1987, and on an annual basis each year thereafter, all current Directors and non-represented exempt employees shall complete a Code of Ethics Disclosure Statement and submit it to the Director, Personnel Department or General Counsel, whichever is applicable. All newly appointed Directors and all newly-hired non-represented exempt employees shall complete such a statement at the time of appointment or hire and every January thereafter. These statements shall be reviewed by the Director, Personnel Department or General Counsel in accordance with the Administration section of this policy.

APPROVED:


J. D. Wood
Director, Personnel


Frank G. Turpin
President and Chief Executive Officer
For the Code as it applies to employees and Executive Officers


George M. Sullivan
Chairman, ARRC Board of Directors
For the Code as it applies to members of the Board of Directors

DIRECTOR CODE OF ETHICS DISCLOSURE STATEMENT

TO: General Counsel

DATE: _____

FROM: _____, Director

- A. I have read and understand the Code of Ethics (HR 64-9) of the Corporation. I am not currently engaged in, nor am I contemplating any transaction or activity that may constitute an actual or potential violation of this Code.

Name (Printed): _____ Signature: _____

***** OR *****

- B. While I do not believe that I am currently engaged in, nor am I contemplating any transaction or activity that may constitute an actual or potential violation of the Code of Ethics (HR 64-9), I have entered below any facts of which the Corporation should be aware for review.

CONDUCTING BUSINESS WITH CORPORATION (through sales, trades, contracting services, etc.)

Self: _____

Spouse or Other Member of Immediate Family: _____

Details: _____

PARTICIPATION IN OUTSIDE ACTIVITIES (as officer, consultant, director, or other managerial employee, etc.)

Outside Position: _____

Organization: _____

Duties: _____

BENEFITING FROM POSITION WITH THE CORPORATION

Describe: _____

ADDITIONAL COMMENTS/FACTS: _____

Further, if a prior exception under the policy has been granted the undersigned, then I certify that there has been no change in the facts presented in compliance with such exception unless above noted.

Name (Printed): _____ Signature: _____