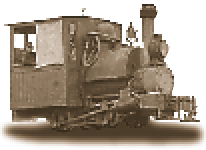


Board of Directors

Board of Directors

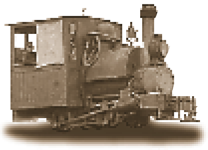
Board of Directors

Governor Bill Sheffield, Chairman, former governor, State of Alaska.
Dale R. Lindsey, Vice Chairman, President and CEO, Harbor Enterprises, Inc.
Robert S. Hatfield, Jr., President & Chief Executive Officer, Alaska Railroad Corporation. (through 12/31/96)
Joe Perkins, Commissioner of Transportation and Public Facilities.
Willie Hensley, Commissioner of Commerce and Economic Development.
Jack Burton, Track Inspector, Alaska Railroad Corporation.
Johne Binkley, Chairman & Chief Executive Officer, Alaska Riverways, Inc.

Officers

Robert S. Hatfield, Jr., President & Chief Executive Officer. (through 12/31/96)
George E. Erickson, Vice President, Transportation Services.
Patricia E. Dunn, Vice President, Finance & Administration.
Phyllis C. Johnson, Vice President & General Counsel.
James B. Blasingame, Vice President, Corporate Affairs.
John G. Burns, Vice President, Real Estate & Facilities.
Evan M. McKinney, Vice President, Maintenance & Engineering.
Patrick C. Shake, Superintendent, Transportation.
John E. Kincaid, Chief Mechanical Officer.
Thomas E. Brooks, Chief Engineer.

Corporate Headquarters



Management's Statement and Independent Auditor's Report

Management Statement: Alaska Railroad Corporation

The management of the Alaska Railroad Corporation is responsible for the fair statement of the accompanying financial statements and all other information contained in the annual report. The financial statements were prepared in conformity with generally accepted accounting principles and prevailing railroad industry practices and reflect Management's judgments and estimates concerning effects of events and transactions that are accounted for or disclosed. The financial information contained elsewhere in the annual report is consistent with that in the financial statements.

The Alaska Railroad Corporation maintains accounting systems that are supported by internal accounting controls. These systems and controls provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with Management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the related benefits. Management believes the company's system provides this appropriate balance in all material respects.

The financial statements have been audited by KPMG Peat Marwick LLP, independent certified public accountants, who are appointed by the Board of Directors. Their audit is conducted in accordance with generally accepted auditing standards which include an objective, outside review of operating results, financial condition, and the Corporation's system of internal controls. The opinion of the independent auditors is contained in this annual report.

The audit committee of the board of directors, composed solely of outside directors, meets with the independent auditors and management periodically to discuss audit findings and other accounting and financial matters. The committee reviews the scope and results of the audit effort with the independent auditors as well as the annual financial statements and recommends their approval by the board of directors.

Patricia Dunn
Vice President, Finance and Administration

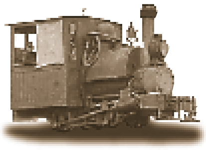
The Board of Directors Alaska Railroad Corporation:

We have audited the accompanying balance sheets of the Alaska Railroad Corporation as of December 31, 1996 and 1995, and the related statements of income, equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Railroad Corporation as of December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP
February 21, 1997

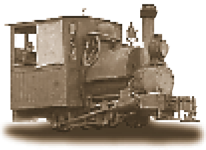


Alaska Railroad Corporation Balance Sheets

	1996	December 31, (In Thousands)	1995
Assets			
Current assets:			
Cash and cash equivalents	$ 4,814		$ 3,896
Accounts receivable, net of allowance for doubtful accounts of $573,000 in 1996 and $706,000 in 1995	11,160		12,080
Materials and supplies	3,346		3,271
Prepaid expenses and other current assets	317		441
Total current assets	19,637		19,688
Operating property and equipment			
Road and roadway structures	72,979		64,623
Equipment	41,863		41,486
Road materials and supplies	1,269		1,040
Construction in progress	3,138		839
Accumulated depreciation and amortization	(46,131)		(44,331)
Total operating property and equipment, net	73,118		63,657
Land (note 9)	13,850		13,850
Restricted assets (note 3)	13,066		15,862
Other assets (note 4)	251		304
Total Assets	$ 119,922		$ 113,361

	1996		1995
Liabilities and Equity			
Current liabilities:			
Current portion of long-term debt (note 5)	3,598		4,953
Accounts payable and accrued liabilities	5,456		5,889
Payroll liabilities	5,523		4,480
Unearned real estate revenues	1,455		1,220
Total current liabilities	16,032		16,542
Long-term debt, less current portion (note 5)	3,514		14,115
Accrued post-retirement benefits (note 6)	6,041		4,907
Deferred grant revenue (note 7)	7,819		-
Deferred revenue (note 3)	13,066		12,356
Total liabilities	46,472		47,920
Equity:			
Investment by the State of Alaska	34,174		34,174
Retained earnings	39,276		31,267
Total equity	73,450		65,441
Commitments and contingencies (notes 6, 10, 11 and 12)			
Total Liabilities and Equity	$ 119,922		$ 113,361

See accompanying notes to financial statements.



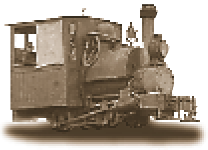
Alaska Railroad Corporation Statements of Income

	Years ended December 31, 1996	(In Thousands) 1995
Operating revenue:		
Freight (note 8)	$ 62,248	$ 62,009
Passenger	10,594	9,749
Other	1,669	1,360
	74,511	73,118
Grant revenue (note 7)	1,791	-
	76,302	73,118
Operating expense:		
Transportation	34,806	33,899
Engineering (note 7)	16,223	14,224
Mechanical	8,793	9,061
General and administrative	6,295	5,681
Depreciation and amortization (note 7)	6,178	6,133
	72,295	68,998
Income from operations	4,007	4,120
Other income (expense):		
Real estate income, less direct expenses of $969,000 in 1996 and $687,000 in 1995 (note 9)	4,435	4,568
Interest income	430	191
Interest expense	(863)	(1,008)
	4,002	3,751
Net income	$ 8,009	$ 7,871

Statements of Equity

	Investment by the State of Alaska	Retained Earnings (In Thousands)	Total Equity
Balance at December 31, 1994	$ 34,174	$ 23,396	$ 57,570
Net income	-	7,871	7,871
Balance at December 31, 1995	34,174	31,267	65,441
Net income	-	8,009	8,009
Balance at December 31, 1996	$ 34,174	$ 39,276	$ 73,450

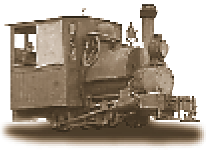
See accompanying notes to financial statements.



Alaska Railroad Corporation Statements of Cash Flows

	Years ended December 31, 1996	(In Thousands)	1995
Operating activities:			
Net income	$ 8,009		$7,871
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,178		6,133
(Gain) loss on disposal of assets	(376)		6
Changes in assets and liabilities:			
Decrease in accounts receivable, net of allowance for doubtful accounts	920		1,537
Increase in materials and supplies	(75)		(233)
(Increase) decrease in other assets	2,973		(4,026)
Decrease in accounts payable and accrued liabilities	(433)		(5,945)
Increase in payroll liabilities	1,043		286
Increase in unearned real estate revenues	235		12
Increase in accrued post-retirement benefits	1,134		1,355
Increase in deferred revenue	8,529		363
Net cash provided by operating activities	28,137		7,359
Investing activities:			
Purchases of operating property and equipment	(15,740)		(1,402)
Proceeds from sales of fixed assets	477		80
Net cash used in investing activities	(15,263)		(1,322)
Financing activities:			
Proceeds from line of credit	-		1,000
Payments on line of credit	-		(3,000)
Proceeds from notes payable	-		3,500
Payments on notes payable	(11,956)		(5,210)
Net cash used in financing activities	(11,956)		(3,710)
Net increase in cash and cash equivalents	918		2,327
Cash and cash equivalents at beginning of year	3,896		1,569
Cash and cash equivalents at end of year	$4,814		$3,896
Interest paid	$ 932		$1,028

See accompanying notes to financial statements.



Alaska Railroad Corporation Notes to Financial Statements

December 31, 1996

(1) Organization and Operations

The United States Congress authorized construction of the Alaska Railroad (ARR) in 1914 and operations began in 1923. The federal government operated the railroad until its sale to the State of Alaska in January 1985. The sale of the ARR to the State of Alaska was authorized under the Alaska Railroad Transfer Act of 1982, which was signed into law on January 14, 1983. The Alaska Railroad Corporation (the ARRC) is a corporation created by the State of Alaska legislature to own and operate the railroad and manage the railroad's rail, industrial, port and other properties. The ARRC commenced operations on January 6, 1985.

The ARRC operates 525 route miles, providing both freight and passenger services. The ARRC serves the cities of Anchorage and Fairbanks, the ports of Whittier, Seward, and Anchorage as well as Denali National Park and military installations. Vessel and rail barge connections are provided from Seattle, Washington, and Prince Rupert, British Columbia.

(2) Summary of Significant Accounting Policies

In preparing the financial statements in accordance with Generally Accepted Accounting Principles management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenue and expenses for the period. Actual results could differ from these estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below.

Basis of Accounting

The ARRC is subject to the jurisdiction of the Interstate Commerce Commission (ICC). Accordingly, the ARRC has prepared the accompanying financial statements in accordance with the ICC rules and regulations (US CFR Title 49), which are generally consistent with generally accepted accounting principles as promulgated by the Financial Accounting Standards Board.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include time deposits, money market accounts and repurchase agreements with original maturities of three months or less.

Materials and Supplies

Materials and supplies inventories are carried at the lower of cost (average cost) or market. Road materials and supplies include rail, ties, ballast, and other track materials. These items will generally be capitalized when placed into service, and accordingly are included in operating property and equipment.

Operating Property and Equipment

Operating property and equipment are stated at cost. Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the related assets, ranging from 5 to 32 years.

Restricted Assets

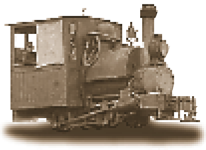
Restricted assets represent investment securities held by the ARRC in anticipation of the approval of future capital projects. Management has both the ability and intent to hold the investment securities to maturity, and accordingly has elected to account for them at amortized cost under Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities.

Grants

Grant revenue is recorded in the same period as expenses related to the grant. Grant funds received but not yet expensed are recorded as deferred revenue.

Income Taxes

As a corporation owned by the State of Alaska, the ARRC is exempt from Federal and State income taxes.



Fair Value of Financial Instruments

Fair values of financial instruments, as defined under Statement of Financial Accounting Standards No. 107, Disclosures About Fair Value of Financial Instruments, are estimated by the ARRC's management. Fair values of restricted assets and related deferred revenue are based on quoted market prices, when available, and quoted market prices of comparable instruments, when not available. Fair values for accounts receivable are estimated using cash flows in comparison to assets with similar estimated average lives but bearing current market interest rates. Fair values of long-term debt are based on the discounted value of contractual cash flows and interest rates being offered for similar debt. ARRC has determined the fair values of financial instruments do not differ significantly from their carrying amounts with the exception of investments which are discussed in note 7.

Reclassifications

Certain reclassifications have been made to the prior year balances in order to conform to the current year presentation.

(3) Restricted Assets

The ARRC received $9,000,000 from the State of Alaska in 1990 for the purchase of locomotives and coal hopper cars for the Wishbone Hill Coal project. Any remaining funds, along with interest earned on the $9,000,000 while in the possession of the ARRC, may be used to purchase other equipment and improvements related to the project. This contribution from the State of Alaska is accounted for as deferred revenue, which will be amortized over the life of the project. Since 1991, the funds have been invested in U.S. Government securities, corporate notes and money market accounts. At December 31, 1996 and 1995, these investments had a carrying value, including accrued interest, of $12,832,000 and $12,125,000, respectively, at amortized cost and a market value of $12,827,083 and $12,132,000, respectively. According to the current agreement, the ARRC is to refund the $9,000,000 plus interest earned less administrative fees during the holding period if the Wishbone Hill Coal Project is canceled.

Also included in restricted assets is $234,000 received in 1990 from the Department of Natural Resources. These funds are being managed by the ARRC in anticipation of future capital projects. If no capital projects are undertaken, the funds, including accrued interest, would be returned to the Department of Natural Resources. At December 31, 1996 and 1995, these investments had a carrying value, including accrued interest, of $234,000 and $231,000, respectively, at amortized cost and a market value of $234,000 and $231,000, respectively.

In 1995 the ARRC entered into an agreement to purchase 53 new hopper cars. The funding for this purchase was provided through a note payable of $3,500,000 (note 5), and the proceeds from the note and the related accrued interest are included in December 31, 1995 restricted assets. At December 31, 1995 the carrying value, including accrued interest at amortized cost, and market value of the underlying investment was $3,506,000.

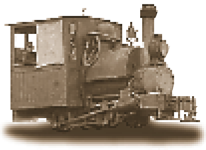
Securities at December 31, 1996 consisted of the following (in thousands):

Description of Security	Estimated market value	Gross unrealized gains	Gross unrealized losses	Amortized Cost
U.S. Agency Notes	$ 3,143	5	1	$ 3,139
U.S. Treasury Strips	2,744	3	12	2,753
Money Market Accounts	7,174	-	-	7,174
Total	$13,061	8	13	$13,066

Securities at December 31, 1995 consisted of the following (in thousands):

Description of Security	Estimated market value	Gross unrealized gains	Gross unrealized losses	Amortized Cost
Corporate Notes	$ 5,125	7	3	$ 5,121
U.S. Agency Notes	5,393	8	10	5,395
U.S. Treasury Strips	1,597	5	-	1,592
Cash equivalents	3,754	-	-	3,754
Total	$15,869	20	13	$15,862

During 1995, the ARRC sold one investment with a carrying value of $5,289,000 for $5,307,000 due to a deterioration in the credit worthiness of the investment's custodian.



(4) Investment in Partnership

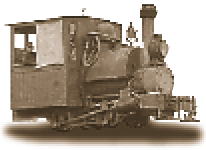
During 1992, the ARRC entered into a general partnership agreement to develop and operate a hotel complex in the Ship Creek area. The ARRC entered into a 35 year lease with the partnership for the land on which the hotel is located for $1 per year. In return, the ARRC received a 40% interest in the partnership, which is accounted for using the equity method. The ARRC has no cash investment in the partnership. The ARRC's equity in the earnings of the partnership totaled $53,000 and $102,000 at December 31, 1996 and 1995, respectively.

(5) Long-Term Debt and Notes Payable

Long-term debt at December 31, 1996 and 1995 consists of the following (in thousands):

	1996	1995
Note payable, secured by equipment, due in monthly payments of $132,699 including interest at 4.6%, matures August, 1998.	$ 2,051	$ 3,989
Note payable, secured by equipment, due in semi-annual payments of $203,397 plus interest at the two year Treasury Note rate of 5.79%.	-	3,458
Note payable, secured by equipment, due in monthly payments of $82,066 including interest at 4.50%, matures October, 1998.	1,730	2,615
Note payable, secured by equipment, due in quarterly payments of $115,500 plus interest at 68% of prime rate, matured December, 1996.	-	463
Note payable, secured by equipment, due in monthly payments of $33,008, including interest at 6.22%.	-	511
Note payable, secured by equipment, due in monthly payments of $4,073, including interest at 5.85%.	-	96
Note payable, secured by equipment, due in monthly payments of $88,066 including interest at 5.8125%, matures November, 1999.	2,828	3,693
Note payable, secured by equipment, due in monthly payments of $18,616 including interest at 4.44%, matures February, 1999.	461	659
Other note payable, secured by equipment, due in annual payments of $20,965, matures August, 1997.	42	84
Note payable, secured by equipment, due in monthly payments of $38,975, including interest at 6.0%.	-	3,500
	7,112	19,068
Less current portion	(3,598)	(4,953)
	$ 3,514	$ 14,115

ARRC has met all debt covenants at December 31, 1996.



Long-term debt maturities are as follows at December 31, 1996 (in thousands):

Year ending December 31,	1997	$3,598
	1998	2,537
	1999	977
		$7,112

The ARRC has arrangements for short-term unsecured lines of credit of up to $20,000,000 with one bank. The general purpose line of credit allows borrowing up to $10,000,000 at a rate of 65% of the prime rate of a major bank. The self-insurance line of credit allows borrowing up to $10,000,000 at a rate of 69.5% of the prime rate of a major bank. ARRC has met the debt covenants of both lines of credit, which have due dates of August 1, 1997. The ARRC believes these lines will be renewed when they mature or additional commitments will be obtained on similar terms.

(6) Employee Benefits

The ARRC has a defined benefit pension plan (Plan) covering all regular represented and nonrepresented employees who are not covered by the Civil Service Retirement System. Benefits under this Plan are based upon the employee's years of service and final average compensation. The ARRC's funding policy is to contribute each year an amount equal to the net periodic pension cost. In 1996 and 1995, the ARRC contributed an amount for the periodic pension cost which was net of a prepaid pension amount. Contributions are made continuously throughout the year.

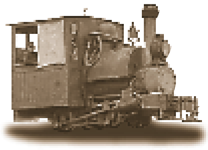
The following table sets forth the Plan's status at December 31, 1996 and 1995 (in thousands):

	1996	1995
Actuarial present value of benefit obligations:		
Accumulated benefit obligation - vested	$ (10,161)	$ (7,928)
Accumulated benefit obligation - nonvested	(3,395)	(492)
	$ (13,556)	$ (8,420)
Projected benefit obligation for service rendered to date	(15,944)	(11,082)
Plan assets at fair value	18,882	17,024
Projected benefit obligation less than Plan assets	2,938	5,942
Unrecognized prior service cost	223	242
Unrecognized net transition obligation	304	365
Unrecognized net gain	(3,421)	(6,437)
Pension prepayment	$ 44	$ 112

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.25% and 4.75% at December 31, 1996 and 1995.

The components of 1996 and 1995 net pension costs are as follows (in thousands):

	1996	1995
Service cost-benefits earned during the period	$ 529	$ 577
Interest cost on projected benefit obligation	985	731
Return on Plan assets	(1,260)	(2,668)
Net amortization and deferral	(159)	1,468
Net periodic pension costs	$ 95	$ 108



The weighted average discount rate and rate of increase in future compensation levels used in determining the net pension cost were 7.25% and 4.75%, in 1996 and 1995. The expected long-term rate of return on assets was 8.0% in 1996 and 1995. Plan assets are comprised of fixed income securities and common stocks.

Federal employees who transferred to the ARRC continue to participate in the Civil Service Retirement System (CSRS). ARRC is required to contribute 7% of the transferred employees' base pay. Pension expense related to CSRS was $672,000 and $676,000 for the years ended December 31, 1996 and 1995, respectively.

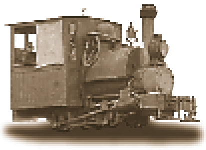
In addition to the defined benefit pension plan, the ARRC sponsors a defined benefit health care plan (Plan) that provides post-retirement medical benefits to employees receiving retirement under the corporate retirement plan and retired CSRS employees who do not qualify for the federal medical insurance. The Plan is contributory, with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. The accounting for the Plan anticipates future cost-sharing changes to the written plan that are consistent with ARRC's expressed intent to increase the retiree contribution rate by the amount of that year's premium increase. ARRC's policy is to fund the cost of medical benefits in amounts determined at the discretion of management. At December 31, 1996, the ARRC has not designated any assets for the funding of these benefit costs.

The following table presents the Plan's funded status, at December 31, 1996 and 1995 (in thousands):

	1996	1995
Accumulated post-retirement benefit obligation:		
Retirees	$1,209	$1,814
Fully eligible active plan participants	339	331
Other active employees	5,889	5,756
Total accumulated post-retirement benefit obligation	7,437	7,901
Unrecognized transition obligation	(2,901)	(3,095)
Unrecognized net gain	1.505	101
Accrued post-retirement benefit cost	$6,041	$4,907
Net periodic post-retirement benefit cost includes the following components:		
Service cost	725	827
Interest cost	460	483
Amortization of net gains over average future service expected to retirement date	(51)	-
Amortization of transition obligation over 20 years	193	193
Net periodic post-retirement benefit cost	$1,327	$1,503

For measuring the 1996 expected post-retirement benefit obligation, an 11% annual rate of increase in the per capita claims cost was utilized for all participants. This rate was assumed to decrease over a six-year period to an ultimate rate of 5.25% in 2002. The effect of a 1% increase in the health care cost trend rate would increase the accumulated post-retirement benefit obligation by $1,556,000 and increase the aggregated service and interest cost components by $382,000.

For measuring the 1995 expected post-retirement benefit obligation, a 12% annual rate of increase in the per capita claims cost was utilized for participants under age sixty-five. This rate was assumed to decrease over a seven-year period to an ultimate rate of 5.25%. A 10% annual rate of increase in the per capita claims cost was utilized for participants age sixty-five and over. This rate was assumed to remain constant through 1999 and then decrease 1% per year for three years to an ultimate rate of 5.25%. The effect of a 1% increase in the health care cost trend rate would increase the accumulated post-retirement benefit obligation by $1,200,000 and increase the aggregate service and interest cost components by $300,000.



(7) Federal Grant

During 1996 the ARRC received a $10,000,000 grant from the Federal Railway Administration for capital rehabilitation and improvements benefiting passenger operations. The ARRC spent $9,056,000 of this grant including interest earnings on grant funds of $69,000 and proceeds from tie disposal of $41,000. Spending on road and roadway structures, which have a 15 to 25 year life, totaled $7,353,000 and the ARRC will recognize grant revenue equal to depreciation on these assets each year. During 1996 the ARRC recognized grant revenue equal to the $88,000 depreciation on the assets constructed and $1,703,000 of Engineering expense funded by the grant.

Deferred revenues as of December 31, 1996 represent unspent grant funds and the $7,265,000 net book value of assets constructed under the grant.

The ARRC received another $10,000,000 grant from the Federal Railway Administration for 1997.

(8) Major Customers

Two ARRC customers accounted for 37% and 11% of freight revenue in 1996 and 33% and 12% of freight revenue in 1995.

(9) Land

The ARRC leases a significant portion of its land to various parties under long-term agreements. Rental income on these leases, which is included in Real Estate income, was $5,306,000 and $4,921,000 in 1996 and 1995, respectively.

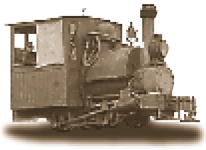
The following table summarizes future minimum lease payments receivable as of December 31, 1996 (in thousands):

Year ending December 31,	1997	$ 5,454
	1998	5,367
	1999	5,500
	2000	5,550
	2001	5,520
	Thereafter	115,434
		$ 142,825

(10) Operating Leases and Agreements

The ARRC leases its headquarters, certain operating equipment, and barge services under operating leases and agreements. Payments under the leases and agreements totaled $13,776,000 and $14,235,000 in 1996 and 1995, respectively. Future minimum lease payments as of December 31, 1996 are summarized as follows (in thousands):

Year ending December 31,	1997	$ 13,518
	1998	3,098
	1999	1,099
	2000	967
	2001	788
	Thereafter	8,241
		$ 27,711



(11) Commitments and Contingencies

During 1993, the ARRC entered into a five year agreement with another entity for rail barge services between Washington and Alaska and related administrative responsibilities. The agreement was amended during 1995. The rail barge operation, which is a significant portion of the ARRC's interline traffic, requires a substantial minimum annual level of utilization before it becomes profitable for the ARRC.

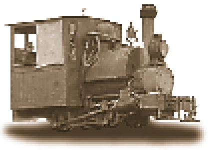
During 1991, the ARRC was named as a potentially responsible party in a lawsuit brought by the U.S. Environmental Protection Agency (EPA) to recover money spent to date and to be spent in the future cleaning up a superfund site at the Anchorage Terminal Reserve. The ARRC believes the contamination occurred prior to the transfer of the Railroad from the federal government to the State of Alaska and that liability for contamination will be ultimately imposed on the federal government under the transfer act and a 1990 agreement between the federal government and the ARRC.

During 1992, the EPA filed a complaint seeking to fine the ARRC for alleged violations of the Resource Conservation and Recovery Act in relation to storing hazardous wastes at the Anchorage rail yard. A consent agreement was executed during 1994 settling the alleged violations. The accrual included in the financial statements does not reflect any costs to clean up any contamination in the area covered by the settlement. No contamination has been discovered, but the ARRC believes most, if not all, contamination in this area would have occurred prior to the transfer of the ARRC from the federal government and therefore be covered by the agreement referred to in the preceding paragraph.

The ARRC is a defendant in various legal proceedings related to the conduct of its business. Provision has been made in the financial statements for probable losses, if any, from such litigation. In the opinion of management, the outcome of the litigation will not have a material effect on the financial position of the ARRC.

(12) Insurance

The ARRC is self-insured to certain limits for employee health benefits, personal injury, property and casualty damage claims which are funded by a line of credit (note 5). The ARRC is also self-insured against workers' compensation claims.



Employees

LYNN AABBOTT• D. KATHERINE ADAMS • JAMES D ADAMS • THOMAS J ADAMS • LEILANI LALAELUA•TROYALBIN • KEVIN J ALESHIRE • EDWARD B ALFORD • JAMES W ALLEN • ANTHONYJARAGON • W. F ARMSTRONG • TED W ASHBRIDGE • MICHAELDAULT• BILLBAILEY• SCOTTABANKS • JOHN D BARBER • RAYMOND BARBIERI • DONALD K BARKER • SAM M BARNES • KATHRYN ABARTELS • KENNETH R BARTLETT• NATALIE BASHELIER-WEATHERE • DIANAJ BAUMAN • JERRYW BEA• MARK J BEAR • J. GARYBEITINGER • JAMES R BELL• STUARTG BELLANT• JOHN W BERG • KEVIN LBERGSRUD • DIANE S BICKERS • DONALD PBICKERS • KIMBERLYC BINGHAM • WILLIAM D BIVINS • ROBERTABJOR • JULIE ABLACK • LOUISE J BLACKMUR • JIM D BLAKLEY • JAMES B BLASINGAME • DONALD J BLOMMER • BARBARAC BOEHME • KAYLE G BOND • MICHAELE BOODRY• ROBERTLBORIL• JIM K BOSCH • DENNIS S BOUWENS • TOMMYW BOYCE • RAYMOND L BRADY• W. J BRADY• SETH ABRANSON • WENDELLD BRIDGE • JOHN H BRITTJR. • REGINAD BROEKE • KERRYTBROOKMAN • CHRISTOPHER BROOKS • JOANNE M BROOKS • THOMAS E BROOKS • ROBERTE BROUSSARD • JOHN K BROWN • SCOTTJ BROWN • BARTG BROWNING • JAMES R BRYAN • DOROTEO D BUMANGLAG • THOMAS E BURKWIST• STEPHANIE LBURNHAM • JOHN G BURNS • FRED C BURRELL• GORDON S BURTON • JACK F BURTON • JOE M BURTON • KEITH G BURTON • LARRYE BURTON • RICHARD LBUSH • LEON K BUTLER III • BENJAMIN C BUTLER • ROBERTC CACY• MICHELLE I CAIN • STEVEN M CAIN • TODD CALDWELL•THOMAS B CANNON • LARRYLCARBAUGH • ARCHIE W CARD • BRUCE E CARR • RICHARD C CARTER • SALLYI CARTER • JEFFREYACASEY• ROBBIE LCASEY• CHRISTIAN D CEDERBERG • WAYNE D CHALKER • STEVEN C CHAPMAN • RONALD E CHEEK • RALPH S CHIPERNO • STEPHEN B CHIPERNO • CHARLES A CHMIELOWIEC • GERALD J CHRISTENSEN • DAVID D CHURCH • ALTHEAS CLAPP• STEVEN H CLAPP• MANUELW CLARK • RICK CLARK • DONALD LCLAUSSEN • DAVID TCOATNEY• DONALD D COCHRAN • FRANK W COLETTAJR. • LESLIE R COLLINS • RICHARD S COLOSSO • STEPHAN ACONLAN • TIMOTHYLCONLEY•THOMAS CONNELLY• MICHAELF CONTI • SCOTTW COOK • JOSHUA D CORAN • JAMES TCORNING • PETER ACOSGRIFF • C. ANN ACOURTNEY• JANICE ACOX • WILLIAM CRAWFORD • MICHAELCREEDEN • STEVE D CULVER • THOMAS W CURRY• JASON G DAILY • JOHN G DARNEILLE • ANDREW LDAVIS • ERNESTDAVIS • GERALD C DAVIS • JEFFERSON LDAVIS • KATRINAD DAVIS • MICHAELS DAVIS • TIMOTHYLDAVIS • TIMOTHYADAY• SHARON LDEMIERO • DONALD W DEMUTH • JASON E DENNIS • SHAWNESSYLDESLAURIERS • ROBERTLDEVASSIE • FRANKLIN H DEWEY• DAVID K DIANOSKI • CHARLES R DILLARD • MARCELLAS DOUGHTY• K. SUE DRANCHAK • RAYMOND K DUNCAN • PATRICIAE DUNN • PERCYDUYCK JR. • RICHARD S DYSON • CHELCIE R EAGER • THOMAS J EASTHAM • ROBERTC EMERSON • ROBERTS ENEIX • DOUGLAS E ENGEBRETSON • ROBERTENGLISH • GEORGE LERICKSON • GARYAEVANS • HUGH AEVANS • JACLYN D EVANS • JOHN D FAEO • TERESAD FARRIS • WAYLAND LFERREIRA• RANDY LFERRIS • DEBRAS FISCHER • GREG LFISCHER • ARTHUR LFISHER • JOHN TFLEMING • ROBERTC FOGLIA• ERIK C FORLAND • DANIELJ FORSMAN • CAROLAFORTIER • MARVIN LFOUNTAIN • W. JEFF FOWLER • DUANE AFRANK • RODNEYLFRANK • MICHAELN FRAZAR • IAN AFRAZIER • HOWARD LFREESE • DONALD J FREESTONE • DANIELJ FRERICH • MICHAELB FRETWELL• ALBERTFYFE JR. • RASCHAD GALIMBA• CLIFFORD D GAMBLE • ERIC D GAMBLE • JERRYLGAMBLE • PAULLGANGSTAD • LOURDES GARDNER • RONALD J GARRIS • JOHN B GAULE • JOSEPH A GELINAS • GRANTM GERHART•ANTHONYLGESSAY• CINDYJ GILDER • CLIFFORD TGILES • LISAM GILLESPIE • VERN R GILLIS • VERNON F GLEICH • STEVEN H GLESSING • IONE S GOBBI • TIMOTHYD GOBBI • DANAM GODFREY• ROBERTGONZALEZ • KIMBERLYM GORESEN • BRUCE AGOUGH • REBECCAI GRADY• BRYAN GRAHAM • DAVID K GRAHAM • CLINTON W GRAY• KENNETH H GREENE • THOMAS C GREGORI • JAMES H GREGORY• DALE J GRETH • KENNETH LGRIFFIN • WILLIAM LGRIFFITH • EUGENE GROSS • GUNNAR GUNDERSON • MICHAELLGURNETT• BRIAN C HAAG • DAVID G HAAG • PETER J HACKENBERGER • STEPHEN THAGEDORN • WILLIAM C HAGGART• JOSEPH LHALL• ROBERTAHALPIN • DAVID S HAMRE • DEBORAH LHANSEN • DONALD C HARPOLE • TOMMYW HARREL• DAVID E HARRIS • MICHAELS HARRIS • JOHN W HARSTAD • RODNEYM HARVEY• DAVID LHASTINGS • STEVEN YHAYES • LAMBERTHAZELAAR • CAROLINE A HEATER • JOHN H HEATER • WILLIAM LHEDGE • OWEN R HELLMAN • STEVE J HENKEL• BYRON HENSHAW • LEE C HIGBIE • KENNETH B HIGHTOWER • WILLIAM C HIGHTOWER • AUSTIN H HILL• DARRELLR HILL• DONALD W HILL• MICHAELK HILL• EDWARD LHILLS • MELVIN LHILLS • ROBIN HINDMARCH • TERRYLHINMAN • EVERETTAHINTON • DENNIS AHOADLEY• NATHANIELC HOCKER • JAYR HOLE • JOHN PHOLLAND • RICHARD LHOLZAPFEL• COLLIN O HOMME • WAYNE O HORINE • ALAN HORNBERGER • WILLIAM R HORSTMANN • ROBERTC HOUSTON • CLIFFORD E HOWARD • JOHN AHOWE • JAMES LHUDSON • GEORGE W HULING • MICHAELS HULS • R. 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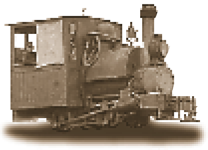

Alaska Railroad Corporation Offices

Anchorage, Alaska

P.O. Box 107500, Anchorage, AK 99510-7500

Office Location	Physical Address	Telephone	Fax
Headquarters Offices	327 W Ship Creek Avenue	(907) 265-2300	(907) 258-1456
Ticket Office	411 W 1st Avenue	(907) 265-2494	(907) 265-2509
Yard Office	1221 Whitney Road	(907) 265-2434	(907) 265-2698

Fairbanks, Alaska

Passenger Depot
280 North Cushman
Fairbanks, AK 99701-2899
Telephone: (907) 456-4155 Fax: (907) 452-5582

Operations Center

1888 Fox Avenue
Fairbanks, AK 99701-2739
Telephone: Yard (907) 456-7736, Sales Office (907) 456-1277
Faxes: Yard (907) 452-3613, Freight House (907) 456-8304

Seward, Alaska

P.O. Box 95
Seward, AK 99664
Telephone: (907) 224-5550/5552
Fax: (907) 265-2660

Seattle, Washington

Suite 215
2203 Airport Way S
Seattle, WA 98134
Telephone: (206) 624-4234
Fax; (206) 624-9677

800 Numbers

	Within Alaska (Outside Anchorage)	From Lower 48
Customer Service	1-800-478-2442	1-800-247-3153
Marketing		1-800-321-6518
Passenger Service	1-800-544-0552	1-800-544-0552
Seattle Office	1-800-843-2772	1-800-843-2772

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