

CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTION APPROVAL POLICY

The Board of Directors (the “Board”) of Alaska Communications Systems Group, Inc. (with its subsidiaries, the “Company”), acting upon the recommendation of its Nominating and Corporate Governance Committee, has adopted the following Policy with regard to conflicts of interest and related party transactions.

1. Purpose

The purpose of this Policy is to document the Company’s process for 1) review and approval or ratification, if appropriate; 2) of transactions that exceed \$120,000 and involve directors, Executive Officers, as defined in Section 3, greater than 5% shareholders, or their immediate families; 3) by a committee of independent directors, 4) and ensure the review and appropriate disclosure by the Audit Committee; and 5) the appropriate application of a review process for conflicts of interest or related party transactions involving all other employees of the Company.

2. Policy

Under the Company’s Code of Ethics, which applies to all employees and directors, conflicts of interest should be avoided or mitigated where reasonably practical.

- a. Executive Officers and directors. It is the Policy of the Board that pursuant to Item 404 of Regulation S-K of the Securities and Exchange Commission (“SEC”), certain related party transactions involving related persons as defined under that regulation be assessed by the Nominating and Corporate Governance Committee. Certain transactions between the Company and certain related persons need to be disclosed in the Company’s filings with the SEC. SEC rules and the Nasdaq Stock Market listing rules require that our Board assess whether relationships or transactions exist that may impair the independence of our directors. The procedure outlined below in Section 3 is intended to provide guidance and direction with respect to review, approval or ratification of these types of related party transactions.

- b. Employees below the level of Executive Officer. It is the Policy of the Board that employees of the Company below the level of Executive Officer should report any actual or potential conflict of interest or related party transaction as defined and described in Section 4, below. The procedure in Section 4 is intended to provide guidance and direction with respect to review, approval or ratification of conflicts and related party transactions for employees below the level of Executive Officer.

It is the policy of the Board that conflicts of interest and related party transactions, limited to transactions described in this Policy, will be subject to review, approval or ratification in accordance with the procedures set forth below. Nothing in this Policy will

be deemed to supersede the requirements of the Company's Code of Ethics. To the extent applicable, each person subject to this Policy will also comply with the Company's Code of Ethics.

It is the responsibility of the Nominating and Corporate Governance Committee to administer this Policy, and the responsibility of the Audit Committee to review and evaluate the disclosure of related party transactions that require review by the Nominating and Corporate Governance Committee under this Policy.

3. The following procedures relate to conflicts and transactions involving Executive Officers, directors and others defined in this section 3 that require review by the Nominating and Corporate Governance Committee under this Policy.

a. Definitions

"Executive Officer" means those officers of the Company designated by the Board as Section 16 Officers pursuant to Section 16 of the Securities Exchange Act of 1934.

A "Related Party Transaction" subject to review by the Nominating and Corporate Governance Committee is any transaction directly or indirectly involving any Related Party, as defined below, that would need to be disclosed under Item 404(a) of Regulation S-K. Under Item 404(a), the Company is required to disclose any transaction occurring since the beginning of the last fiscal year, or any currently proposed transaction, involving the Company where the amount involved exceeds \$120,000, and in which any Related Party had or will have a direct or indirect material interest (subject to the exceptions set forth in Item 404(a)). Related Party Transaction also includes any material amendment or modification to an existing Related Party Transaction.

"Related Party" under Item 404(a), means any person who was in any of the following categories:

- a director or director nominee
- an Executive Officer
- a person known by the Company to be the beneficial owner of more than 5% of the Company's common stock; or
- a person known by the Company to be an Immediate Family Member of the foregoing.

"Immediate Family Member" means a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a person, and any person (other than a tenant or an employee) sharing the household of such person director, nominee for director, Executive Officer or beneficial owner.

b. Procedures

Company management will be responsible for determining whether a transaction brought to its attention meets the requirements of a Related Party Transaction requiring review by the Nominating and Corporate Governance Committee under this Policy, including whether the Related Party has a material interest, based on its review of all facts and circumstances. Upon determination by management that a transaction is a Related Party Transaction requiring review by the Nominating and Corporate Governance Committee under this Policy, the material facts regarding the transaction and the Related Party's interest in such transaction will be disclosed to the Nominating and Corporate Governance Committee.

In determining whether to approve, ratify, disapprove or reject a Related Party Transaction, the Committee will consider, among other factors it deems appropriate, the following factors to the extent relevant to the Related Party Transaction:

- whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- whether there are any compelling business reasons for the Company to enter into the Related Party Transaction;
- whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee for director;
- whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company; and
- whether the Related Party Transaction would present an improper conflict of interest for any director, nominee for director or Executive Officer of the Company, taking into account the size of the transaction, the overall financial position of the director, nominee for director, Executive Officer or Related Party, the direct or indirect nature of the director, nominee, Executive Officer or Related Party's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the Committee deems relevant.

In approving or ratifying any Related Party Transaction, the Nominating and Corporate Governance Committee will consider all of the relevant facts and circumstances, and approve or ratify those Related Party Transactions that are, in the Nominating and Corporate Governance Committee's judgment, appropriate or desirable under the circumstances.

If the Related Party Transaction involves a Related Party who is a director or an Immediate Family Member of a director, such director may not participate in the deliberations or vote respecting such approval or ratification, provided, however, that such director may be counted in determining the presence of a quorum at a meeting of the Nominating and Corporate Governance Committee which considers such transaction.

c. Authority to Pre-approve and Ratify

In the event Company management determines it is impractical or undesirable to wait until a meeting of the Nominating and Corporate Governance Committee to consummate a Related Party Transaction, the Chair of the Nominating and Corporate Governance Committee may review and approve the Related Party Transaction in accordance with the criteria set forth herein. Any such approval must be reported to the Nominating and Corporate Governance Committee at the next regularly scheduled Committee meeting.

In the event the Company becomes aware of a Related Party Transaction requiring the review of the Nominating and Corporate Governance Committee under this Policy, and that has not been approved, the matter will be reviewed by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will consider all of the relevant facts and circumstances respecting such transaction, and will evaluate all options available to the Company, including ratification, revision or termination of such transaction, and will take such course of action as the Nominating and Corporate Governance Committee deems appropriate under the circumstances.

d. Standing Pre-Approval for Certain Transactions

The Nominating and Corporate Governance Committee has determined that each of the types of Related Party Transactions described below will be deemed to be pre-approved or ratified by the Committee, even if the aggregate amount involved exceeds \$120,000 and will not require review or approval by the Committee.

- i. Employment or compensation of Executive Officers. Any employment, promotion or compensation with respect to an Executive Officer, so long as the Compensation and Personnel Committee has approved (or recommended that the Board approve) such employment, promotion or compensation;
- ii. Director compensation. Any compensation paid to a member of the Board if the related compensation is required to be reported in the Company's proxy statement under Item 402 of the SEC's compensation disclosure requirements;
- iii. Certain transactions with other companies. Any transaction in the ordinary course of business with another company, with which a Related Party's only relationship is as an employee, if the aggregate amount involved does not exceed the greater of \$200,000 or 5% of that company's total annual revenues;
- iv. Certain Company charitable contributions. Any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university, at which a Related Party's only relationship is as an employee, if the aggregate amount involved does not exceed the lesser of \$200,000 or 5% of the charitable organization's total annual receipts;
- v. Transactions where all shareholders receive proportional benefits. Any transaction where the Related Party's interest arises solely from the ownership of

the Company's securities and all holders of the Company's securities receive the same benefit on a pro rata basis;

- vi. Transactions involving competitive bids. Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids.

4. The following procedures relate to conflicts of interest involving employees below the level of Executive Officer.

a. Definitions

Conflicts of interest occur when an employee's personal interests or relationships, or those of an Immediate Family Member, interfere or appear to interfere with the best interests of the Company or the employee's ability to perform his or her duties.

Immediate Family Member includes a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a person, and any person (other than a tenant or an employee) sharing the household of an employee.

b. Procedures

Employees must report all actual or potential conflicts of interest to their supervisor and complete the employee conflicts reporting form. The employee must also send the employee conflicts reporting form by email to the Manager of Compliance & Ethics at ethicsofficer@acsalaska.com. The Manager of Compliance and Ethics will report material conflicts as they arise to the Chief Ethics Officer and will prepare an Annual Certification and Detailed Report of Disclosure that includes all reported conflicts of interest for the previous year. The Chief Ethics Officer will submit the Annual Certification and Detailed Report of Disclosures to the Nominating and Corporate Governance Committee.

The following are examples of potential conflicts of interest that require reporting, these examples are meant to serve as a guideline only, and are not all inclusive:

- An employee who receives anything of value in excess of \$25 from a potential or current vendor or customer.
- An employee or employee's family member who works for, or as a consultant to, a competitor or vendor, (this situation may not rise to the level of a conflict of interest, however, reporting is still required).
- An employee's participation in a sales transaction with a potential business customer owned by the employee or a family member of the employee or where the employee or employee's family member holds a position of influence with the potential business customer.

In determining whether to approve, ratify, disapprove or reject a conflict of interest the Chief Ethics Officer will consider, among other factors deemed appropriate, the following factors to the extent relevant to the employee conflict of interest:

- whether the terms of the transaction involved are fair to the Company and would apply on the same basis if the transaction did not involve an employee;
- whether there are any compelling business reasons for the Company to enter into the transaction;
- whether the Company was notified about the transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company; and
- whether the transaction would present an improper conflict of interest for any employee of the Company, taking into account the size of the transaction, the overall financial position of the employee in the transaction and the ongoing nature of any proposed relationship, and any other factors the deemed relevant.