



The Arctic Fox Natural Gas Pipeline

the arctic fox natural gas pipeline

THE FAIRBANKS PIPELINE COMPANY

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AN ALASKAN SOLUTION

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No. 4

FPC Dividends, Distributions and Bank Participation

Presentation for the Alaskan Banking and Accounting Community

1/11/11



The Arctic Fox Natural Gas Pipeline

AHC / FPC Shares

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The basis of this presentation is limited to Case 1 or 1A @ 19 or 30Bcf/yr

For simplification, Case 2 or 2A with their additional volumes and revenues are not represented herein, but are available for review in this presentation's back-up spreadsheets

The Purpose of AHC/FPC Shares-in-Partnership

- To assign and distribute ownership of the Arctic Fox Pipeline to Alaskan individuals and companies

The Objective Behind AHC/FPC Shares-in-Partnership

- To control the future cost of Alaskan 's energy requirements
- To distribute pipeline transportation earnings back to the Alaskan consumers purchasng its gas
- To provide Alaskans a lower-risk investment alternative to Wall Street 401 K plans
- To retain our wealth-in-resources derived from our own utilization of ANS gas within Alaska to the maximum extent possible
- To compound the value of our avoided costs and future pipeline earnings by a factor of 1.48 by increasing the VOM (velocity of monies) circulating in our own communities.
- To manage ANS gas in a sociologically and economically responsible fashion by conserving its gainful availability for future generations of Alaskans

The Essence of AHC Shares-in-Partnership

AHC (Alaska Holding Company) shares will proportionally assign partnership rights, equity, and margin distributions in the AHC. AHC will be the sole owner of the Fairbanks Pipeline Company. AHC will be established in the State of Alaska as a Limited Liability Company. It's by-laws and Board meeting minutes will be transparently posted on its website. Executive sessions of the Board of Directors will be prohibited within its bylaws.

AHC partnership shares will be a nominate contract between individuals who in a spirit of cooperation, agree to carry on an enterprise; contribute to its funding by contributing property, cash, knowledge, or activities to share its final equity value and future earnings (profits)

Par Share-in-Partnership assignments in the Alaska Holding Company will be based on a general partnership agreement , a buy-sell agreement , and individual declarations of partnership (shares) nominated in \$100 par-value increments . AHC equity will only be issued in a common share class. Shares will not be publicly traded, but can be sold at any time under the terms and conditions set forth within their underlying buy-sell agreement. AHC will acquire one or more bank partner/s.

Alaska Holding Company shares will be assigned and managed through its Bank Partner/s . Shares will only be issued across-the-counter in designated Alaskan locations as qualified buy their an underlying partnership and buy-sell agreement. Initial offerings will be limited to 7,160,000 shares or to FPC's final and total project Capex cost divided by100

AHC's buy-sell agreement will incorporate only two fundamental restrictions:

- 1 AHC will maintain first right of refusal to buy-back shares
- 2 Barring AHC share buy-back, shares can only be sold to APFD qualified individuals or Alaskan based companies with the exception of FPC, whose bylaws will prohibit AHC share ownership



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Share & Equity Management

Management and Control of AHC Shares-in-Partnership

AHC's cash reserve accruals will be held in trust-account /s with its Banking Partner/s

Par-shares scripts will be assigned to Alaskans and Alaskan Companies through AHC's Bank Partner via certificates of deposit called a "share-account" (otherwise a savings or money-market account)

Par-share account statements will be made available by AHC's Banking Partner on-line with paper statements mailed every January after annual dividend distributions are posted to accounts

Par-share equity value (\$100/share) will be designated as "principle equity" in share-account statements

Annual dividend distributions will be internally transferred to individual par-share accounts once per year and will be designated as "dividend earnings" on statements and can be withdrawn at any time

Par-share equity value cannot be withdrawn from the AHC trust account until AHC's Board of Directors declare extinguishment of its business model (65 years or >)

Par-share equity value can be sold or transferred at any time, but such transactions or transfers must follow the underlying tenets of the share's buy-sell agreement. Withdrawal of "dividend earnings" is elective on sale or transfer of each share's "principle equity" value (\$100/par-share + principle earnings)

AHC's Bank Partner will verify and notarize the conformity of all sales and transfers of principle equity assignments with the AHC buy-sell agreement within three working days

Summary of AHC Shares-in-Partnership

Since AHC shares will not be publicly traded, their principle value will only appreciate as a function of the individual share-account's returns as provided by AHC/FPC's Bank Partner/s and as nominated in pass-book savings or money market accounts by individual share holders

To mitigate speculation, AHC's partnership and buy-sell agreements administered by AHC's Bank Partner/s will prohibit sales or transfers of par-shares priced above "principle equity" accruals at time of sale or transfer. Again, "dividend earnings" will remain liquid at all times

If and as AHC buys-back shares, the "principle equity" value of all AHC share accounts will be adjusted by AHC/FPC's Bank Partner/s within five working days of outstanding share reductions. Likewise, resulting improvements in dividend yields will be factored into AHC's dividend distribution account within five working days of buy-back transaction date/s

Since AHC/FPC and its Bank Partner/s will transfer and post its prior year's dividend earnings only once per year (in the first week of January), most sales or transfers of AHC/FPC shares are expected to occur in January after annual dividend distributions augment the value to share holders beyond the strike price of it's "principle equity" component value as updated throughout the year. For example, share accounts sold or transferred prior to annual dividend distributions in January will be devoid of the prior year's earnings, thus lowering net yields to seller's position because said distributions will posted to the account holder's position

The provisos set forth are cursory. We look forward to working with AHC's prospective Bank Partner/s to further refine its partnership and buy-sell agreements underlying its initial par-share offerings

Summary of AHC Shares-in-Partnership

Without even considering control over our future energy costs (or saying it another way, avoiding \$183 million per year in our energy costs), just the earnings potential of the pipeline company demonstrates the benefits associated with Alaskans owning the pipeline system that delivers the energy they consume.

AHC's Bank Partner will be an Alaskan Bank and will manage both the pipeline's base equity and its future earnings through Alaskan bank accounts (AHC share-accounts)

Value to Alaskans represents their avoided energy costs, their earnings from owning the pipeline, State Royalties earned from gas sales, and the difference between the remaining future inventory value of the North Slope's proven gas reserves in 2050. As a result, the comparison of value kept in Alaska from quickly exporting ANS gas en masse (only accrued through State Royalties) **versus** conserving this wealth by using it for our own current & future needs through our own pipeline is stunning:

In 35 years, assuming that the commodity value of our proven 37 TCF of NAS gas reserves hypothetically escalate by 2% per year from \$11.49/mcf in 2015, to \$22.53/mcf in 2050:

In-State Utilization at 102 Bcf/yr

Earnings from pipeline ownership,
plus our avoided costs, **plus** State Royalties,
plus gas left in the ground for our children

Equals \$755 Billion

AGIA - Exportations En Masse at 1643 Bcf/yr

No earnings from pipeline ownership,
plus State Royalties,
with **no** gas left in the ground for our children

Equals \$39 Billion

(See back-up sheets titled: "Best Value of ANS Gas" and "Best Value of ANS Gas Sensitivity")



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AHC DIVIDENDS

AHC DIVIDENDS?

The Nature of AHC Dividends and Distributions

The AHC/FPC equity and earning distribution model is simplicity itself. At a final Capex of \$716,000,000, AHC's funding equity is structured as an increment of total project Capex divided by \$100 (7,160,000)

Since each share purchased represents a proportional contribution to the project's financing, each share holder is considered AHC/FPC's lending institution

In a private pipeline company, it's standard ROR (rate of return) represents its allowable margins or profits on its particular debt/equity ratio as appealed and set by a rate-approving authority. In gas pipelines, this usually averages approximately a net 14.3% ROR

FPC's Alaskan ownership model seeks 100% equity from Alaskan investors while assuming no leverage on debt to obtain its relatively modest 12% ROR

Since FPC is owned by Alaskan share holders or it's "lending institutions", FPC's 12% ROR is treated as its cost of monies and as its indenture to its individual share holders

At a 12% cost of monies (or interest rate) on its \$716,000,000 Capex or 7,160,000 outstanding share distribution, the principle and interest components of FPC's indenture to its share holders amount to \$95,857,207 per annum. These annual payments, less the cost of administrating the program constitute the basis of FPC's annual dividend distributions . The time value of its accruing CRF (Capital Reserve Fund) or its liquidation value through share buy-backs adds additional earnings over time returning as much as 37% returns on average over a twenty-year term (see back-up sheet titled: "**Case 1, FPC 12" Pipeline Stands Alone from North Slope to North Pole, Alaska - COS and Investment Yields**")

The Nature of AHC Dividends and Distributions

Since FPC's Capex provides only the means to construct the Arctic Fox Pipeline, FPC revenues are burdened with Opex and CRF (Capital Reserve Fund) components to operate the company. The CRF (cash held in reserves) maintain a minimum liquidity line to cover five-year cyclic operating expenses, to purchase back outstanding shares if the Board sees fit, and to maintain a financial cushion

At a Capex of \$716,000,000, the project's indenture (and distributions) to its share holders is \$95,857,207 per year. FPC's bundled rate of \$9.66/mcf at 19 Bcf/yr throughput includes a transportation cost (or COS) of \$5.44/mcf. The total COS portion of its bundled rate is \$103,337,665 per year, assuming a pass-through \$4.22/mcf cost for it's treated and compressed gas. This is \$7,480,456 more than its debt service (its indenture to its share holders) per year as burdened with its Opex (annual operating costs) and CRF.

Again, see back-up sheet titled: "Case 1, FPC 12" Pipeline Stands Alone from North Slope to North Pole, Alaska - COS and Investment Yields"

The CRF, less five-year cyclic pipeline integrity management costs, accrues to roughly \$60,000,000 at the end of FPC's 20-year retirement of its debt or indenture service assuming that AHC does not buy back outstanding shares. If the AHC Board of Directors institutes a share buy-back policy using 80% of its CRF, these monies will only accrue to approximately \$11,703,100 over 20-years, but at the same time, FPC will have decreased its outstanding shares from 7,160,000 to 1,936,800. This hypothetical reduction in the 20th year would increase FPC's annual dividend for each outstanding share to **\$52.21**. Blended across the entire 20-year debt service term, the average net return on each share (including the time value of its CRF) would be approximately **37%**



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AHC PROSPECTUS

AHC PROSPECTUS

The Investor's Prospectus for AHC Shares, Dividends and Distributions

Share Equity & Earnings in 20-Years (assuming an 80% share buy-back policy)

Cash Reserves in 2033	\$11,703,100
65 year Life Pipeline in 2033 (20 years/65 years)	<u>\$495,692,308</u>
Total Equity in 2033	\$507,395,408
Outstanding Shares in 2033	1,936,800
Share Principle Equity Value in 2033 (\$232,010,792/1,936,800)	\$261.98
20-Year Dividend Earnings	<u>\$350.14</u>
Equity + Earnings in 20-Years	\$612.12
Net ROI (Equity + Earnings, Less Original \$100/share Investment)	\$512.12
Net or Annualized ROI After 20-Year Term	51.21%

The Investor's Prospectus for AHC Shares, Dividends and Distributions

Share Equity & Earnings in 20-Years (assuming a near 0% share buy-back policy)

Cash Reserves in 2035 (assuming an average 4.7%/year return on CRF)	\$113,904,455
65 year Life Pipeline in 2035 (20 years/65 years)	<u>\$495,692,308</u>
Total Equity in 2035	\$727,702,100
Outstanding Shares in 2035	7,160,000
Share Principle Equity Value in 2035 (\$232,010,792/1,936,800)	\$101.63
20-Year Dividend Earnings	<u>\$221.40</u>
Equity + Earnings in 20-Years	\$323.03
Net ROI (Equity + Earnings, Less Original \$100/share Investment)	\$223.03
Net or Annualized ROI After 20-Year Term	11.15%

The Investor's Prospectus for AHC Shares, Dividends and Distributions

So what's better, the 80% share buy-back, or a near 0% share buy-back policy?

The answer depends on your perspective. For example, in 20 years:

Under the 80% buy-back policy, the company's total equity will be: **\$507,395,408**

Its average annual rate of return will be: **51.21%**

Under the 0% buy-back policy, the company's total equity will be: **\$727,702,100**

Its average annual rate of return will be: **11.51%**

Thus, from the perspective of FPC's outstanding share holders, the 80% option may be more attractive.

In actuality, the total value retained in Alaska is the same in either case. Under the 80% buy back policy, the company's wealth will be continually distilled over time to become concentrated amongst those holding AHC's 1,936,800 remaining shares. Under the 0% buy-back policy, the wealth of the company remains evenly distributed across FPC's original 7,160,000 par share holders. The \$220 million difference between company's equity lines shown above does not mysteriously disappear. Instead, it simply moves into the pockets of FPC's fewer outstanding share holders as outstanding shares are bought-back and as their annual dividends increase year by year

The Socio-Economic Prospectus for AHC Shares, Dividends and Distributions

Having looked at the investor's perspective, we now raise a third perspective; the concept of publicly owned infrastructure and its socio-economic implications

Particularly when owned by the public, major infrastructure projects can increase the VOM (velocity of monies) circulating in local economies through efficiencies wrought and their subsequent savings to the communities served. Increasing the VOM compounds the future wealth of the communities in which additional monies circulate.

For various reasons, including the distribution in the growth of wealth within local economies, the compounding effect of the VOM varies. When spread among the greatest number of residents, it's compounding rate is highest. If this wealth is allowed to concentrate among fewer members of the community over time, its compounding rate diminishes because monies are steadily removed from local circulation. As these monies come to rest in financial repositories owned by a smaller slice of the community, they no longer revolve through local economies

The compounding effect of the VOM also varies on the basis of a community's general demography, its industrial base, the number of residents who maintain primary residency in the community, their mean income distribution, etc.

In the Interior of Alaska, the VOM factor is about 1.48. In New York City, the VOM is estimated to range from 1.21 up to 1.28, depending on the factor's source and/or the Boroughs in question. The 1.48 factor we use for the Interior is derived from the MAP (Man in the Arctic) outlook model, developed by the University of Alaska's Institute of Social and Economic Research with grants provided by the NSF (National Science Foundation)

The Socio-Economic Prospectus for AHC Shares, Dividends and Distributions

When assessing improvements from the socio economic perspective, final VOM calculations show the no-buy-back option to be far superior than allowing outstanding shares to be reduced from 7,160,000 shares to 1,936,800 shares. This concentration of wealth would reduce the compounding effect of the VOM from 1.48 to less than 1.19

When considering the sum of monies involved, this translates to approximately \$7.22 billion in lost growth opportunities for the Interior as measured over the span of 30 years, slightly less than half the life of the Arctic Fox Pipeline System

Given the large socio economic differentials involved, the following share performance metrics will be based on the no-buy-back option returning to AHC's investors an average of an 11.15% annual ROI

Who will ultimately control this decision? The AHC Board of Directors. For this reason, Energia Cura will reassess its organizational chart provided in presentation # 3. Hopefully, with guidance provided by a blend of Alaska's community of business, financial and economics professionals including academia.

The Socio-Economic Prospectus for AHC Shares, Dividends and Distributions

The socio economic summary before moving on to AHC's share-performance metrics:

A keen eye may have already assessed negative tax liabilities associated with the Arctic Fox's proposed business model. Primarily, the fact that the CFR cost component draws from taxed retained earning and subjects these monies to yet another taxation cut.

We have assessed this phenomenon and arrived at our own conclusion based on attaining best socio economic value. Were it a more perfect world where 401k plans would provide more surety, our evaluation may have been different. However, as Wall Street's record over the last decade attests, we do not live in a perfect world

In our analysis of the double taxation cut, we drew from the writings of leading economic anthropologists who advocate more ideal proportions of individual wealth be retained in savings. Even the most zealous proponents of economic growth spurred by discretionary spending (on more "stuff") agree that the growth resulting from at least 25% of America's discretionary spending hollows the enduring substance of its associated short-term socio economic value

Our cost benefit analysis shows that potential improvements in savings made possible by AHC's share accounts through local bank institutions adds certain durability to our local economies and promotes more appropriate spending on health and the education of our future generations. Part of these calculations assume that monies appropriated by taxation eventually returns benefits to those levied (again, in a perfect world). In our evaluation, we used a 50% dilution factor on each dollar taxed vs. benefits in dollars. This factor is in keeping with the average view (in developed nations) on benefits returned from taxation as reported by the Economist in mid-2010

Summary of the Investor's Prospectus for AHC Shares, Dividends and Distributions Based on a Near 0% Share-Buy-Back Policy, Net 11.15% Annualized Returns

EPS – Earnings per Share	\$11.15/year
P/E – Price to Earnings Ratio	8.97
P/S – Price to Sales	6.9
P/B – Price to Book	1
DPR – Dividend Payout Ratio	100%
DY – Dividend Yield	0.1115
ROE – Return on Equity	12%

The Comparison

The Last Three-Month Record of The Top Seven US Dividend Yield Utility Stocks

Closing : NYMEX January 13, 2011

<u>Company</u>	<u>Annualized Dividend Yield</u>	<u>Volatility 13-Week Price Change</u>	<u>P/E Ratio</u>
Huaneng Power International (NYSE: HNP)	5.10%	-15.90%	11.1
Northwest Natural Gas (NYSE:NWN)	3.80%	-9.60%	16Yiel.2
National Grid (NYSE: NGG)	4.80%	-7.20%	10.1
PPL Corporation (NYSE: PPL)	5.40%	-6.50%	13.8
AGL Resources (NYSE: AGL)	4.80%	-6.10%	11.8
Entergy (NYSE: ETR)	4.60%	-5.50%	10.4
WGL Holdings (NYSE: WGL)	4.10%	-5.20%	16.9

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11.07%

0%

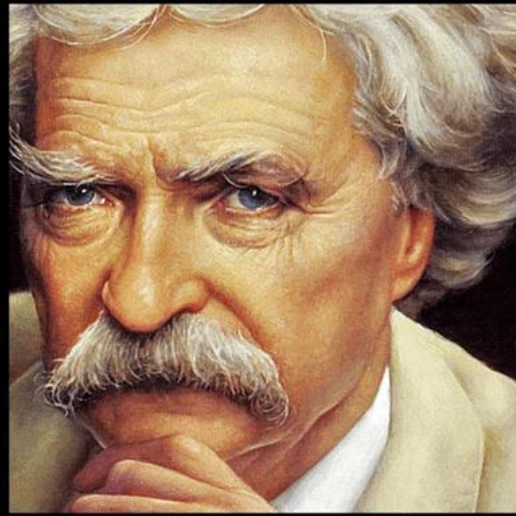
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AHC/FPC Bank Partner Participation

- Member ship in AHC/FPC Board of Directors
- AHC/FPC equity holding and management
- AHC/FPC CRF (Capital Reserve Fund) holding and management
- Escrow account holding and management for initial and maintenance margin requirements for gas trades
- Administration of share buy-back, partnership agreements
- Maintenance and distribution of share account statements
- Shared responsibilities in developing AHC/FPC's annual reports
- Financial advisement from project development through operations – starting in March, 2011

The Participation of Alaska's Banking Community in this Project is Vital

We look forward to collaborating with the banking community to advance this project. At stake are social and economic improvements and innovating new ways for Alaska to manage its extractive industries and its wealth-in-resources.



“A man cannot be comfortable without his own approval ”

“Let us live so that when we come to die even the undertaker will be sorry”