

Activities Report

& Program Summary

Fairbanks Economic Development Corporation



F A I R B A N K S
Economic Development
C O R P O R A T I O N

2007

Dear Fairbanks North Star Borough Assembly Members,

Thank you for the opportunity to share our annual report with you. If you like success stories; it's a good read.

Your investment in the Fairbanks Economic Development Corporation (FEDC) is an investment in growing the Fairbanks economy and I think you will be happy with the 2007 dividends. We appreciate your contribution and promise to keep working to build and maintain your support.

FEDC's Board of Directors has provided valuable guidance over the last year. I appreciate their service to our community and their commitment to the vitality of the Fairbanks economy. As the CEO and President of FEDC I am fortunate to work with a superb staff that comes to work everyday with renewed enthusiasm about Fairbanks and our future. DeLaina Storhok, Jomo Stewart, Cassie Pinkel, Reinhard Neuhauser and Butch Stein work hard, smart and effectively. I am proud of their contribution and proud of what FEDC is doing for our community.

Today our community is faced with some extraordinary economic challenges and sobering economic news:

Our employment base is not diversified; more than 50% of all Fairbanks jobs are in government; including State, Federal, Military and University. Goods job, yes, but jobs over which this community has little or no ability to influence job sustainability.

Our per capita income is \$31,600; that is below the state average of \$35,500 and below the National average of \$34,400. In a list of Alaska cities, Fairbanks ranks 14th for per capita income.

In the last 5 years the average energy costs per resident, including space heating, electrification and transportation has increase from \$1400 per year to over \$3200 per year. 100% of that increase in energy costs will leave this community.

Our community cannot wait for the State and/or the Federal government to solve our economic problems. An Alaska gas line is not a timely solution for the Fairbanks economy. Some believe we can reduce government spending a save our way into economic prosperity; we can not. The solution is in us. It is in our collective community decision that we must, can and will do better; by taking advantage of those opportunities that are available in Interior Alaska.

At FEDC we see our job as twofold; first, creating economic opportunities that will bring more and new dollars to our economic area and second, assure existing



businesses and our Fairbanks workforce are ready to take advantage the influx of dollars and opportunities that will be available to them.

This report is about economic, academic and educational successes, and significant new partnerships. From the substantial work of our Interior Issues Council, Space Days, the Wood Energy Conference, working with our Cold Weather Testing customers, Military privatization, Red Flag Alaska and solutions to our Interior energy crisis, we've had a busy and productive year and are continuing to build on our successful projects.

The **Interior Issues Council** has been a success. The concept was to create a think tank that will allow Fairbanksans to discuss, debate and find solutions to issues of concern and interest to our community. All together we have had over 400 participants engage on several different issues. Today we have four active groups working on how Climate Change will impact Fairbanks, our Community Economy, Education and the Cost of Energy.

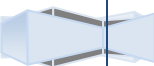
Last Fall FEDC sponsored the **Space Foundation** in Fairbanks and Galena. Two NASA astronauts, two trainers and the director of the Space Foundation traveled to Fairbanks and Galena to meet with more than two thousand K through University students and several organizations; talking about math, science and opportunities in the Space Industry that can positively impact Fairbanks. Last week FEDC Project Manager Cassie Pinkel led a joint team from the UAF Office Electronic Miniaturization and Poker Flats to the 24th Annual Space Symposium in Colorado Springs, CO to find new opportunities for UAF in the Space Industry.

Also last Fall FEDC sponsored the **Wood Energy Conference** in Fairbanks. This conference drew more than 250 people to Fairbanks for four days; finding opportunities and markets for our Interior timber resources.

This past year the Fairbanks area served as a **cold weather** test bed for KIA/Hyundai, Volkswagen, Toyota, Subaru, Honeywell and NASA/NOAA collectively bringing over 300 people and 1000 visit days to Fairbanks & the Interior Region. With our partners, who have contributed more than \$20,000 to FEDC's marketing efforts, FEDC has helped position Fairbanks as a world-class destination for cold weather testing; a growth area of our economy we will continue to actively promote and enhance.

FEDC continues to work on **Military** issues. This past year we were engaged in Fort Wainwright housing privatization and Fort Wainwright utilities privatization and we are working with the US Army, the FNSB, State of Alaska, BLM and Mental Health Trust Lands to assure that Fort Wainwright has future expansion capabilities.

FEDC is actively working with the 168th Air Guard to increase recruiting percentages at Eielson as we try to expand the mission capability of the 168th.



We are also working on the Alaska Red Flag operation to avert any future air space conflicts between commercial, private and military aircraft; work that is necessary to maintain and increase the Eielson mission

We have been in extensive discussion with our congressional delegation and the leadership of the Air Force about Eielson as a future Bed Down location for the new F-35 Strike Fighter.

FEDC has also taken the community lead on the access to the Tanana Training Area which if and when constructed will help anchor both the Army and the Air Force to Interior Alaska.

There will be a new round of base closures and we must not be as unprepared for the next BRAC as we were for the last in 2005. This community must continue to work with the military and others to assure Fort Wainwright and Eielson remain as much a part of Fairbanks's future as they are our present.

Our **Energy project** was developed by the Interiors Issues Council. Based on their work we have identified potential solutions, sent out an energy RFP and are now working with members of congress, DOE, the Department of the Air Force, responders to our RFP and financial institutions to make solutions to our energy challenge a reality.

FEDC is works daily on several other projects and is engaged in many activities including:

- Alaska Technology Business Accelerator
- Knowledge Industry Network
- Fairbanks Regional Center
- Western Edge
- UAF Tech Transfer Study

- Rural Outreach/Fairbanks Hub
- Trade Missions
- Rural D V D/Certified Bush Friendly
- Fairbanks Phone Book Distribution/ 1-800 Directory
- By-Pass Mail

Transportation

This study was intended to research the opportunities of and evaluate the economics of commodity transportation, railroad and barge transportation and its potentials concerning backhaul, increased profit margins, and the economic value added.

Results and an interactive spreadsheet will be posted on FEDC's website

Alaska Sustainable Energy Center



Mining and Timber Industry Development

We believe that all of our projects are important to our community, but by far the projects that demand most of our attention and most of our funding are Military and Cost of Energy. These two projects each hold great opportunities if we chose take the lead in finding answers and solutions, but will surely create a tremendous economic crisis if we leave them unattended.

Fairbanks is our community, we must take the lead.

At FEDC, we are no longer satisfied with the vague concept that our mission is to create "Net New Jobs". Our community deserves concrete action toward measurable economic development goals, therefore we have committed to 4-4-5.

4-4-5 is a goal to create four thousand jobs (4) over the next four years (4) that pay \$50,000 or more per year (5). At FEDC we know that we do not create jobs, but we sponsor and support projects that do. We also know that we cannot succeed without wide community support so we partner with any group or anyone that has the desire to improve the Fairbanks economy. The Fairbanks North Star Borough is one of those partners and with your continued support 4-4-5 and Fairbanks will succeed.

Thank you again for your commitment to FEDC. We promise to continue building on our successes to make the Fairbanks economy grow and expand.


Feel free to contact me with any comments or questions.

Sincerely,


A handwritten signature in blue ink, appearing to read "Jim Dodson". The signature is stylized and somewhat cursive, with a large initial "J" and "D".

Jim Dodson, President & CEO





The **MISSION** of the **Fairbanks**
Economic Development Corporation
is to assist in creating new jobs and
new economic opportunities for the
residents of the Fairbanks North Star
Borough.



Economic Development, creating good jobs,
and new opportunities for Fairbanks and all
of Interior Alaska.

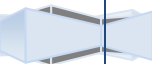


Fairbanks Economic Development Corporation
Creating New Economic Opportunities



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**Fairbanks Economic Development Corporation
2007 Board of Directors**

Steve Lundgren, Board Chair
Senior Vice President Mt. McKinley
Bank

Dan Gavora, Board Vice-chair and
Secretary
President/CEO Golden Heart Utilities

Damian Thomas, Board Treasurer
Laborers Local 942 Business
Representative

Terry Strle
Mayor, City of Fairbanks

Jim Whitaker
Mayor, Fairbanks North Star Borough

Rick Solie
Chair, Greater Fairbanks Chamber of
Commerce

Amy Cook
Carlisle Transportation

Norm Phillips
Doyon Limited

Carol Lewis
Dean, School of Natural Resources and
Agricultural Sciences, UAF

John Ringstad
BP Alaska

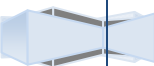
Jack Hébert
President/CEO Cold Climate Housing
Research Center

Ex-Officio Members

Jesse VanderZanden
Fairbanks International Airport

Joe Austerman, representing Commissioner Emil Notti
Director, Office of Economic Development, Department of Commerce, Community and
Economic Development

Charlie Rex
Fairbanks North Star Borough Assembly



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Rick Solie
Chair, Greater Fairbanks Chamber of
Commerce

Amy Cook
Carlisle Transportation

Cynthia Henry
HOPS Hallmark

Carol Lewis
Dean, School of Natural Resources and
AG Sciences, UAF

Steve Haagenson Energy Coordinator,
State of Alaska

Jack Hébert
President/CEO Cold Climate Housing
Research Center

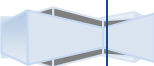
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Fairbanks International Airport

Joe Austerman, representing Commissioner Emil Notti
Director, Office of Economic Development, Department of Commerce, Community and
Economic Development

Mike Musick
Fairbanks North Star Borough Assembly

Jack Wilbur
Design Alaska



Fairbanks Economic Development Corporation 2007 Staff Members

Jim Dodson
President/CEO

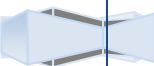
DeLaina Storhok
Executive Assistant/Fiscal Manager
Interior Issues Council

Cassie Pinkel
Project Manager
Cold Weather Testing
Forestry
Rural Outreach

Butch Stein
Project Manager
Mining
Military

Jomo Stewart
Project Manager
Energy
Accelerator
Western Rural Development Center-Program
Energy Center
KIN (Knowledge Industry Network)

Reinhard Neuhauser
Contract Employee
Accelerator
Transportation
Special Projects



FEDC 2007 Investors

Platinum Level Investors

*University of Alaska Fairbanks
Cold Regions Test Center
Flint Hills
GCI*

Silver Level Investors

*Alaska Airlines
Chena Hot Springs Resort
Design Alaska, Inc.
Everts Air Cargo
Fairbanks Daily News-Miner
Frontier Airlines
Golden Valley Electrical Association
Office of Electronic Miniaturization, UAF
Westmark Hotels*

Bronze Level Investors

*Conoco-Phillips
Denali State Bank
Information Insights
National Rent-a-Car/Airport Rentals
Northrim Bank
Pike's Waterfront Hotel
Usibelli Coal Mine
Utility Services of Alaska*

Benefactors

*Brice Incorporated
Doyon, Limited
Fountainhead Development, Inc.
GHEMM Company Inc.
Great Northwest Inc.
Key Bank
Mt. McKinley Bank
Sourdough Express, Inc
Wells Fargo*

Contributors

*Air Force Association
Local 942 Alaska Laborers Pol & Education Committee
Fairbanks Title Agency
Hébert Homes, LLC.
MAC Federal Credit Union
NAPA Auto Parts
Tanana Valley Clinic
Tiaga Ventures, Inc
United Assoc. Local 375 Plumbers & Pipefitters
Golden Heart Utilities*

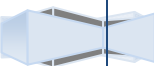
**Fairbanks Economic Development Corporation
2007 Grantors**

The Fairbanks North Star Borough

The State of Alaska

The City of Fairbanks

Your support makes it happen!



Fairbanks Economic Development Corporation Financial Reports

Statement of Financial Position

December 31, 2007

Assets		
Current Assets	2007	2006
Cash and cash equivalents	\$ 22,947	\$ 67,212
Due from funding agencies	146,358	91,991
Prepaid expenses	6,303	3,233
Total current assets	175,608	162,436
Liabilities and Net Assets		
Accounts payable	\$ 9,301	\$ -
Payroll liabilities	22,592	5,197
Total current liabilities	36,893	5,197
Unrestricted	155,939	177,007
Total net assets	155,939	177,007
Total liabilities and net assets	\$ 192,832	\$ 182,204



Fairbanks Economic Development Corporation 2007 Program Summary

The Fairbanks Economic Development Corporation (FEDC) strives to merge the natural resource economy of Alaska and Fairbanks with one that blends academia, business and government to build a knowledge-based community in the north.

The Fairbanks community is dynamic, diverse, and in need of perpetual renewal. FEDC's vision is to fuel our community with infinite imagination, innovation, intelligence, and involvement. We continue to seek opportunity for economic growth and provide leadership in promoting investment and sustainable development.

The Fairbanks Economic Development Corporation is committed to ignite economic prosperity in the Interior and Northern Region through fulfilling its goals:

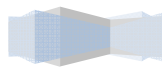
- fostering a strong economic environment which supports businesses and nurtures growth, wealth and new investment in the region
- attracting new businesses in order to support and facilitate new employment opportunities for Interior Alaska
- serving as a liaison between public and private economic development activities, and recommend policies to government that support the achievement of planned economic development goals

The Fairbanks Economic Development Corporation has dedicated its efforts over the last 19 years to improving the economic climate of Fairbanks and surrounding economic impact areas.

FEDC believes that economic diversification is critical to building a sustainable future for Fairbanks. We focus our time and resources on exciting projects that do just this.

During 2007, FEDC staff worked programs to create new jobs and new economic opportunities for the residents of the city of Fairbanks and Fairbanks North Star Borough. Projects have focused on eight main areas, the Alaska Technology Business Accelerator (including the Alaska Sustainable Energy Center), Cold Weather Testing, Military, Rural Outreach/Regional Hub, Forestry, Mining, Oil and Gas, Transportation and the Global Climate Change Adaptation Center. In addition to these programs, FEDC staff completed project and grant reports, provided staff support for the Interior Issues Council, completed the 2006 audit and taxes, maintained day to day operations including, accounting, website updates, marketing, research, fundraising and office support for FEDC as well as assisting with community requests as they arose.





Accelerator Program

The Alaska Technology Business Accelerator (ATBA) aims to build a business supportive process that accelerates the pace and improves the likelihood of the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services. During the past year, FEDC staff has refined its public awareness campaign; defined a collaboration model with UAF/Office of Technology Transfer and identified potential projects to accelerate; lobbied legislators for project funding; established the Knowledge Industry Network in Fairbanks and collaborated on a study entitled “Leveraging University Research and Accelerating Regional Economic Development Through Technology Transfer and Commercialization.” Additionally, FEDC added the Alaska Sustainable Energy Center as a project within the Accelerator program.

Alaska Sustainable Energy Center

September 12, 2007, FEDC signed a Memorandum of Understanding (MOU) for the creation of an energy center, to be located in Fairbanks. Other signatories included Jack Hébert, President and CEO of the Cold Climate Housing Research Center, Steve Jones, Chancellor of UAF and Jim Whitaker, Mayor of the Fairbanks North Star Borough.

The organization was incorporated as a 501(c) (3) non-profit corporation named the **Alaska Sustainable Energy Center** on September 25th and was certified by the State October 1st. Signatories to the Articles were Jim Dodson, Jack Hébert, Jim Whitaker, Buck Sharpton of UAF Research and Bernie Karl of Chena Power. These individuals also comprise the initial Board of Directors.

As of this date, the ASEC has constituted its Board, elected Officers and adopted Bylaws. It has also opened an interim office; housed in the CCHRC. The ASEC is currently pursuing additional federal, state and private funding opportunities to supplement the start-up contributions of its constituent members and, during the Alaska Federation of Natives convention, made preliminary contacts with other potential partners/participants and prospective rural clients.

PR Campaign

Throughout 2007, FEDC staff met with different focus groups to preview the public awareness campaign materials. The final edits of the campaign materials have been completed and materials are awaiting approval prior to release. These materials will be used to introduce the Accelerator concept to the community as well as spark the interest of potential entrepreneurs that could benefit from the Accelerator project.



UAF/OTT Collaboration Mode:

FEDC has met with University representatives throughout the year to discuss collaborative relationships and projects between FEDC and UAF/Office of Technology Transfer such as the development of the pinbone machine, GINA software, and a neurological stem cells research facility based in Fairbanks.

Knowledge Industry Network

FEDC worked with Juneau Economic Development Council to establish the statewide Knowledge Industry Network (KIN) program in Fairbanks. Since the program launch on March 29, the program participants have continued meeting on a monthly basis. The program goal is to foster an entrepreneurial network and community by connecting young and 'seasoned' business professionals, entrepreneurs, students, thinkers and general community members alike through a series of programs and events. These events have been promoted through KUAC, KTVF 11, Fairbanks Daily News-Miner, chamber luncheons, email, word of mouth, etc.

KIN allows people to learn about technology transfer directly from the people developing it in our community. The focus of KIN is to help foster and build entrepreneurship within our community. FEDC has partnered with UAF Alumni Association to host these monthly meetings. KIN is not only a great way to bring connectivity to our community but also provides information and knowledge to interested persons about technology transfer, community opportunities and other areas of interest that are brought to our attention from KIN participants themselves.

Lobbying Activities

FEDC met with the federal delegation in Washington D.C. to brief them on the Accelerator project and request their assistance with prospective EDA funding.

Regional Center

FEDC has investigated the prospects of the establishment of a USCIS designated Regional Centre. This investigation included researching USCIS immigration law, EB-5 immigrations law specialists, local and nationwide law firms, and existing Regional Centres and provided details on legal and organizational specifications on foreign investment opportunities in the Fairbanks economy.

Technology Transfer and Commercialization of UAF Scientific Research

Michael Haines (Independent Consultant) and FEDC are collaborating on a UAF supported study titled 'Leveraging University Research and Accelerating Regional Economic Development through Technology Transfer and Commercialization'.



Four rounds of interviews were held throughout the duration of the project. A total number of 40-50 people were interviewed by the end of this study. Additionally, the study also encompasses a student survey of 3,100 TVC, UAF business, engineering, and science students. The surveys have been launched and results will be available and included within the final report of the study.

The study included scheduling and conducting interviews, creating reports from collected information, performing secondary research, designing and distributing surveys, collecting and maintaining databases, collaborating with local businesses and the University, as well as serving as a contact entity for various requests from parties involved in the study.

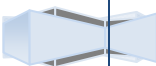
D-what were the results of the research and survey?

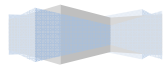
Economic Vision 2010 Report Cards

The Economic Vision 2010 report is a comprehensive analysis of a state's economy including Education Workforce Development, Business Cost and Productivity, Government Regulation, Infrastructure and Connectivity, and Entrepreneurism.

FEDC has analyzed this report, scored the Alaska economy and evaluated the consequences of recounted DCED new population data for the FNSB. The increase in population from 87,849 (AK DOL) to 96,888 (DCED) will not only have effects on recalculating some of our established economic measures such as per capita personal income, but will also carry some positive potentials for our local economy and can be valuable in terms of knowledge based industry development and small business growth spurring technology transfer.

FEDC is continuously evaluating the prospects of the Alaska Technology Business Accelerator in Fairbanks. Consequently, we have also been working on a proposal to do an additional feasibility study that will give Fairbanks' stakeholders a clear description and assessment on the prospects of success of such a project.





Cold Weather Testing Program

FEDC continues to promote Fairbanks as the ideal place for cold weather automotive and aviation testing. Fairbanks has one main advantage over the competition, offering a longer and more reliable winter test period. To successfully develop a Cold Weather Testing (CWT) market FEDC continues to develop informational pieces that can be distributed through different venues, attend trade shows that allow face to face contact with prospects, place advertisements in magazines that target specific audiences, maintain an updated website offering vital test information, and develop a network in the Interior that is 100% inclusive of our testing capabilities. We continue to respond to inquiries from companies that we made contact with via the FEDC advertisements. Additionally, trade show participation is critical to maintaining a competitive edge in the automotive test market and building a strong clientele of cold weather testers.

Automotive Cold Weather Testing

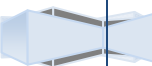
In 2007 the Fairbanks Economic Development Corporation successfully helped Alaska Aerofuel land a new automotive testing company. This company, who requested privacy, tested in the late 2007 winter season with plans to test in 2008. Toyota will test for their 6th year in Fairbanks this winter thanks to the efforts of FEDC in educating them on our capabilities when they originally started looking for a new testing ground.

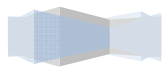
FEDC promoted Fairbanks Cold Weather Testing by attending two trade shows; the SAE World Congress and 2007 North American Test Expo. These shows allowed FEDC to pitch Fairbanks' cold weather testing abilities to interested commercial testers and promote our market presence. This past year's efforts resulted in over 30 contacts for possible testing. Currently, Alaska Aerofuel is working on another lead given to them by FEDC. The CRTC has received word that Chrysler is considering using their test facilities in the month of November.

Aviation Cold Weather Testing

In 2007 FEDC worked with both Everts Air and Alaska Aerofuel to build a testing timeline and gather information about testing abilities of each corporation. FEDC was informed that a large project will be going on in Fairbanks from previous testers brought in by FEDC's cold weather test promotion.

FEDC works hard to promote Fairbanks cold weather through various avenues. The website www.coldweathertest.com, industry specific handouts, advertisements in trade magazines, editorials and giveaways are just a few avenues approached by FEDC to build awareness of our cold weather testing capabilities. FEDC also completed a specially requested presentation for a Japanese firm. The presentation educated the firm on Fairbanks and our capabilities in an effort to leverage them away from their current test spot.





Military Program

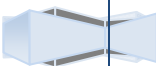
The Department of Defense (DOD) is the number one employer in the State of Alaska, with a payroll of roughly \$900 million per year. The Military is the largest single sector of the Fairbanks economy contributing over \$750 million annually. FEDC is engaged in several areas to retain the current military activity and attract new military resources to the Fairbanks economic area. Because of Alaska's strategic location, the military cluster is well-positioned for expansion in the Borough.

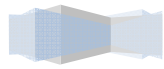
FEDC serves as an advocate and a liaison in the Fairbanks area for promoting development on and around military installations in Interior Alaska. Previous rounds of military base closures, the continuing change in defense policy, and forced restructuring have provided Fairbanks North Star Borough with tremendous opportunities to leverage available assets at local military installations for economic development purposes. FEDC works with the various military bases, Greater Fairbanks Chamber of Commerce, private businesses, community groups, and other government entities to facilitate military economic development initiatives.

FEDC President and CEO, Jim Dodson, works as FEDC's primary contact with the military in regards to BRAC, Red Flag Alaska, improving targeting arrays, future missions, Fort Wainwright privatization (utilities and housing), on and off post housing, the Alaska Railroad realignment and access to training areas, and other Interior Alaska military needs. FEDC's President and CEO serves on the Civilian/Airforce Advisory group to General Mosley, Chief of Staff of the United States Air Force. Over the past year, Jim has attended meetings in Alabama, Colorado and Washington DC. In addition he has met with Senator Stevens, Senator Murkowski, Congressman Young, General Jacoby, General Frasier and Governor Palin to discuss the military and its economic impact to Fairbanks.

After one of his recent trips, Jim reported that the BRAC process is not over and that the Red Flag mission is one where the military will be looking at closely due to the Air Force's budget short falls. Alaska and Fairbanks should continue working with the military to ensure that the Fairbanks area needs are met. Issues important to the military in Alaska are training space, troop support and the rail bridge to the Tanana training area.

Additionally, Jim is working with local, state, and military officials to develop a 3-D Airspace model to insure that training space is available in order to insure military longevity in Alaska. At the same time, it is important to FEDC to provide necessary access for Alaska's commercial and recreational needs. The Department of Defense is particularly interested in the outcome of this project as something that can potentially be utilized nationwide.





Rural Outreach/Regional Hub Program

FEDC works to foster regional commerce, develop business relationships, and support mutually beneficial projects and issues with Interior and Northern communities by establishing a rural outreach program that is collaborative, reciprocal, and effective. Through this, we hope to re-establish Fairbanks as the economic, social and cultural hub of Northern and Northwestern Alaska. This year FEDC's Rural outreach/Regional Hub program focused on efforts to bring awareness of Fairbanks businesses through participation in such groups as the Greater Fairbanks Chamber of Commerce Urban/Rural committee, attendance at the Arctic Economic Development Summit, finalizing the rural outreach DVD, and the phone books distribution. We also have developed a monthly newsletter the Urban/Rural Exchange, highlighting events and businesses, which FEDC distributes electronically throughout the region.

Arctic Economic Development Summit

This year FEDC attended its first Arctic Economic Development Summit. The 2007 Arctic Economic Summit in Kotzebue, Alaska was a great chance for FEDC to bring awareness to Northern rural villages about the amenities and business opportunities available in Fairbanks and also the cost savings available if they choose to ship and order from Fairbanks. At the summit FEDC received a great deal of positive feedback about Fairbanks interest in rural Alaska. FEDC efforts not only increase the ability to draw business to Fairbanks, it benefits rural villages by saving them money and time.

Rural DVD

FEDC developed a Rural DVD. The Rural DVD will be distributed to Fairbanks businesses that accept mail orders from Northern rural communities. The DVD was developed to educate Fairbanks businesses on the opportunities in doing business in rural Alaska, to build an understanding of the various shipping methods available to rural Alaska and how to direct and help customers select the best and most cost effective shipping method depending on their product. It also focuses on customer service expectations, the needs of rural communities and marketing strategies for targeting those areas. This DVD will also be distributed throughout rural Alaska so that residents can understand the different shipping methods available to them in effort to save them money and build awareness of Fairbanks and how Fairbanks business can benefit them.

Fairbanks Phone Book Distribution

As in years past FEDC mailed ACS phone books to Northern rural villages. These phone book deliveries are vital in keeping a connection between rural communities and Fairbanks businesses. Many residents in rural communities depend on 1-800 numbers for ordering and need access to contact information. FEDC provides this to them



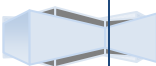
through our phone book deliveries. This year FEDC coordinated efforts with Everts, Warbelow, Frontier and Everts/Hagland to deliver 2029 directories to 27 rural communities.

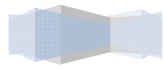
Bypass Mail

In an effort to foster regional commerce FEDC staff have continued working on the 'bypass mail' changes, working with the lead agency, Information Insights as they conducted an independent study to review social, economic, cultural impacts of USPS bypass mail realignment. FEDC supported the effort with administrative support, data sharing and working on FOIA requests to USPS.

Space Days

As part of the Space Days program which is discussed in more detail later in this report, FEDC took a NASA Astronaut and members of the Space Foundation team to Galena in November as part of the Fairbanks Space Days. The purpose of the trip was to educate the community, teachers and students on the possibility of technology and advancement in our communities by building and sparking interest for young students in science and math. The trip to Galena was another step in demonstrating our seriousness and commitment to creating partnerships and relationships between Fairbanks and rural Alaska.





Forestry and Mining Program

Fairbanks is surrounded by timber resources and FEDC focuses on turning these renewable assets into value added timber products. 2007 was an active year at FEDC in activities supporting this sector of our economy including the updating of information, statistical and explanatory data on our website www.alaskaforestproducts.com, attending trade shows to promote the Interior of Alaska and making contact with timber companies and promoting the Interior as a location for new mills and production facilities, continuing support for airborne and field geological and geophysical surveys by the State of Alaska.

FEDC worked to promote both the small diameter and birch timber industry and took steps to establish a renewable biomass pellet plant here in Fairbanks. FEDC established a Pellet Plant Steering Committee which made contact with a woodchip producer with the intent of establishing a pellet mill here in Fairbanks. The Pellet Plant steering Committee also developed a statewide survey. This survey will provide information to interested biomass developers on the communities' interests, needs and fuel usage. Contacts have been made with an interested party in birch furniture development. FEDC continues to work with contacts and inquiries about potential value added forest product development in our region.

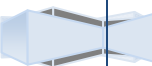
Trade Shows

FEDC sent a contractor to the 2007 Small Logs Conference in Idaho this March. This tradeshow targets individuals and companies interested in small diameter timber.

Alaska Wood Energy Conference

In November of 2007 FEDC hosted the state's first Alaska Wood Energy Conference. This conference brought over 200 attendees from across Alaska and the Continental U.S. together. With guest speakers from Canada and Sweden, this conference focused on "Renewable Energy for Alaskan Communities," which educated and updated conference participants on the current, planned, and potential for woody biomass energy.

Presenters focused on three main categories; the options for wood as an alternative energy source, field proven applications, and new markets and technologies. Maintaining a focus on sustainable fuel sources and air quality was part of the overall discussion. This conference allowed for detailed discussion and questions and answer periods. The conference also called for a "push" to embrace what people were speaking about and learning about at this conference and to apply it to our communities. Many rural village representatives attended and were excited to learn about current and future possibilities for their communities and what they needed to do. Not only did this conference allow opportunities for urban participants to educate and be educated about



wood energy, but it also gave rural participants, who are desperate for renewable and cheaper energy sources, an opportunity to learn about resources available to them.

FEDC played a crucial role in this conference. By accepting the role of local host we were actively involved in every aspect: trade show set up and registration, attendee registration, registration packets, mail outs, newspaper advertisement, press releases, catering and budget development.

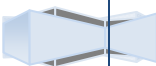
Forestry Prospectus and Inventory

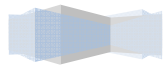
FEDC successfully launched an updated forestry prospectus for 2007. This New Growth Prospectus delivers information about the Interior forest to interested parties. The Interior Forestry Prospectus is used by various local entities (DOF, TCC) for continued promotion of our local timber resources.

FEDC was also actively involved in obtaining full funding in the state budget for a much needed forest inventory. This inventory will offer vital information that will allow increased use of our timber resources. With continued support and promotion of our local timber resources FEDC hopes to build and establish viable value added industries in Fairbanks.

Promotion

FEDC promotes Interior Forests as a natural asset available for development. This year FEDC launched an advertisement online through www.timberbuysell.com. This site has resulted in many types of inquires and is best known for getting the Fairbanks name and capabilities out across the U.S. and Canada. Additionally, FEDC published a half page advertisement in a timber industry phone book. This book was mailed across the U.S. and Western Canada promoting Fairbanks as a location for development of value added and other forest products. In March 2007, FEDC attended the 2007 Small Logs Conference held in Coeur d'Alane Idaho. FEDC sent representatives from both the community and the state to promote Alaska's Interior forests. This trade show was a great opportunity for FEDC to interest potential leads on our small diameter timber.





Oil and Gas Program

FEDC's involvement in the Oil and Gas industry varies as opportunities arise. Our goal is to promote the gas pipeline and identify how Fairbanks can maximize economic opportunity from a gas line project. We also support the Interior Issues Council think tank taskforce addressing the cost of energy as it works to develop a vision for the Fairbanks community.

This year, FEDC staff has worked toward this goal through various avenues. Jim Dodson attends weekly meetings with the FNSB Mayor and representatives from Governor Palin's office to discuss and promote issues impacting the Fairbanks economy such as oil and gas. Also, FEDC worked to ensure that Fairbanks was included in the list of potential sites for Shell's Alaska headquarters.

Shell

FEDC formed an executive committee targeting Shell's search for headquarters in Alaska. The first executive team meeting on Shell was held May 31, 2007. Jim Dodson, Lanien Livingston (Special Assistant, Don Young Alaska-At-Large), Dan Winfree (Fairbanks Memorial Hospital), Rick Caulfield (TVCC), and Charles Fedullo (UAF, Journalism) attended this meeting and were introduced to the project.

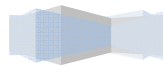
The subsequent discussion pointed out the strength and comparative advantages of Fairbanks in the relative size of economic and media impacts, its employee education and training capabilities, UAF on campus facilities, UAF as a strategic partner for research, strong community support, and the military as a potential pool of labor. Further, the discussion also included consulting an industry expert, providing and gathering information on the labor force and demand, engaging strategic contacts, and transportation.

On August 7th the Shell executive committee met again and discussed and formulated next steps to be taken, including a strength and weaknesses assessment of Fairbanks. The main strength of the assessment focused on air connectivity, training opportunities, affordable housing, access to infrastructure, greater positive economic impact, media recognition, quality of life, and UAF as a strategic partner and network of resources and research.

Consequently, FEDC performed an analysis of air connections northbound to Barrow and Deadhorse, Alaska's real estate market - a comprehensive comparison of Anchorage and Fairbanks real estate and housing prices, a top ten list of contributors to UAF from resource development industry companies and support businesses.

Further work has focused on the collection of information and data on the Alaskan oil industry, FNSB school system, and Fairbanks' communication and media channels.





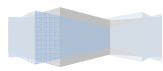
Transportation Program

In 2007 FEDC identified a need for a transportation study. The study was intended to research the opportunities of and evaluate the economics of commodity transportation, railroad and barge transportation and the potential of backhaul, increased profit margins, and the economic value added. FEDC sought to research and evaluate the potentials of a more extensive use of Alaskan waterways to bring commodities to ocean water barge lines and outside markets. Additionally, FEDC wanted to see the potentials of new opportunities in commodity transportation through research and collaboration with corporations and other interested parties.

FEDC has analyzed Alaska's water barge line, and air cargo and passenger operations. As a result, FEDC constructed two comprehensive schedules and databases. One on sailings to 157 Alaskan ports and villages, and one for instate and domestic flight connections by airline from and to Fairbanks, Anchorage and 73 Alaskan villages. The sailing schedule database (excel format) is color coded and contains hyperlinks to all Alaskan barge line operators' websites, quote and rate requests, individual sailing schedules, as well as information and hyperlinks on weight restrictions, order receiving deadlines, vessel information/facts, and an annual inventory of monthly trips from eight companies (Aleutians Eastern Borough, Alaska Hovercraft, Alaska Marine Lines, Bowhead, Crowley, Horizon, Northland, and Totem Ocean Trailer Express) to the respective 157 villages from southeast, south-central, Alaska peninsula, Alaska west coast, Alaska north slope, Lake Iliamna, Kuskokwim-, Yukon-, Tanana-, Kobuk, Nushagak-, and Kvichak- Rivers, as well as Seattle, and Whitehorse.

The research and information is readily available, providing a framework of information for new and existing businesses and industry throughout the Fairbanks North Star Borough.





FEDC "Operations and Opportunity"

Throughout 2007, FEDC maintained and staffed an office that is available to the public and governmental entities as an information source and provide support for economic opportunities as they arise.

Event-Driven Opportunities

As a non-profit economic development organization, FEDC is the unique position of being able to respond to event-driven opportunities as they arise in and around the Fairbanks community. As such, we have provided support for businesses as they visit Fairbanks, facilitated partnerships and relationships between the business community, local government, and industry. FEDC responded to requests from the Fairbanks community regarding the Multiple Award Task Order Contract (MATOC) process, organizing meetings with the military command, state government and the Fairbanks business community, highlighting the fact that for several years Fairbanks contractors and builders have been excluded from this highly value contract process. Because of FEDC, the Actus Lend Lease Group will be working with Cold Climate Housing Research Center to create efficient housing. FEDC also facilitated meetings with SEMCO Energy, among others.

Business Related Educational Opportunities

FEDC has hosted several well attended business workshops. These workshops are generally free of charge to the community, attendance ranging from 30 to 40 business people. The 2007 workshops this year included:

- Workshop for Rural Small Businesses on Renewable Energy and Energy Efficiency... the Why, When and How
- Social Entrepreneurship
- The High Performance Business, Achieving Strategic Focus featuring Dr. Leonard Greenhalgh
- Western Rural Development Center

Western EDGE Program

Western Edge is a program developed by the Western Rural Development Center. This program is patterned after the NebraskaEdge which has trained over 2,400 individuals in 274 communities. The goal of the Western Edge program is to provide education and skill development for local individuals wanting to start or expand a business.

We have contacted the Western Rural Development Center and started the process of bringing a Western Edge program to the Fairbanks community. This new program will be part of our Alaska Technology Business Accelerator program.

Space Days

Through FEDC President and CEO Jim Dodson's work on Civilian/Airforce Advisory



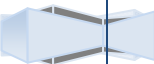
group headed by General Mosley, Chief of Staff of the Air Force, FEDC had an opportunity to bring the Space Foundation and two NASA astronauts, Captain's, Wendy Lawrence and Livingston Holder to the Fairbanks community. FEDC presented to the community the significant international investment in space, and how economies like Fairbanks might benefit and grow by utilizing and attracting space technologies. In addition to the public presentations to the community at the Greater Fairbanks Chamber of Commerce luncheon, area Rotaries, and functions with community and military leaders, FEDC was also able to bring the Space Foundation Team and the astronauts to over a dozen FNSB schools, inspiring over 2,000 Fairbanks youth to become interested in math and science, furthering the goals of FEDC. We were also able to ensure continued interest in our schools through a teacher education workshop, an opportunity for teachers to receive professional development credit and hours and take exciting new information and skills back to their classrooms for years to come. Thirty-five teachers, reaching at least 50 students a year for the next 10 more years, WHAT AN IMPACT!

Interior Issues Council

FEDC provides staff support for the Interior Issues Council (IIC) as the think tank taskforce group work to address issues that affect the Fairbanks community. FEDC coordinated the Interior Issues Council General Meeting, including press releases, Public Service Announcements (PSAs), advertisements, logistics of the meeting itself, etc.

In 2007, the IIC taskforces held over 50 meetings, with an average of 8-15 participants per meeting. Additionally a larger general meeting was held on March 27th. This was an opportunity to publicly present the work and recommendations of each taskforce. Approximately 50 people attended and provided feedback to the IIC. Additionally, the Community Economy taskforce invited Alaska Railroad President Pat Gamble to speak to their group; more than 30 people attended this meeting, which was open to the public, as are all IIC meetings.

This year, several IIC taskforce groups have been quite active; the Land Use Planning taskforce met frequently and made recommendations to the Fairbanks North Star Borough to optimize the planning process, which the planning board is currently addressing. Also the Cost of Energy taskforce has been particularly active. This taskforce has grown to include over 30 regularly participating members with six sub-groups, who worked to complete an analysis of the cost of energy in Fairbanks and looked at alternative energy sources. This taskforce developed a Fairbanks Energy Plan and has started a Request for Proposal process for a Pre-Screening Study of available gasification and Fischer - Tropesch technology. The taskforce meets as a whole approximately every two weeks in the FEDC office.



In August, the Interior Issues Council formed a new taskforce, focused on Education. The Education Steering committee planned an “Education Summit,” bringing Fairbanksans together to discuss education and planning in our community. The steering committee includes community leaders within the Fairbanks North Star Borough, the FNSB School Board, University of Alaska Fairbanks, Borough Assembly, Borough government, and others.

The Fairbanks Economic Development Corporation is dedicated to creating new economic opportunities throughout Fairbanks and the Interior. **We appreciate the community’s support and commitment to the economic development of the Fairbanks Community.**

