

# SECURITIES AND EXCHANGE COMMISSION

## FORM S-4/A

Registration of securities issued in business combination transactions [amend]

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### FILER

#### **NEWCO ALASKA INC**

CIK: **1077762** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
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SIC: **6022** State commercial banks

#### Mailing Address

*NECO ALASKA INC  
331 DOCK ST P.O. BOX 7920  
KETCHIKAN AK 99901*

#### Business Address

*331 DOCK STREET  
P.O. BOX 7920  
KETCHIKAN AK 99901  
9072256101*

Securities and Exchange Commission

Washington, D.C. 20549

Form S-4  
Amendment No. 3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
NEWCO ALASKA, INC.  
(Exact name of registrant as specified in its charter)

<TABLE>			
<S>	<C>	<C>	
Delaware	6022	92-0166346	
-----	-----	-----	
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)	
</TABLE>			

331 Dock St., P.O. Box 7920  
Ketchikan, Alaska 99901 907-228-4474

-----  
(Address and telephone number of registrant's principal executive offices)

William G. Moran, Jr., President and Chief Executive Officer  
331 Dock St., P.O. Box 7920  
Ketchikan, Alaska 99901 907-228-4474

-----  
(Name, address and telephone number of agent for service)

Copies of all communications to:

Gordon E. Crim, Esq.  
Foster Pepper & Shefelman PLLC  
101 S.W. Main St., 15th Floor  
Portland, Oregon 97204  
Telephone: 503-221-1512  
Facsimile: 800-600-1964

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Explanatory Note:

The registrant is currently in organization, and therefore has not yet issued shares of capital stock, and has no operations or assets. Accordingly, no financial information for the registrant is included in this registration statement. All disclosures for the company to be acquired (First Bancorp) are provided in accordance with General Instruction D.4(c) to Form S-4, disclosures for transitional small business issuers.

FIRST BANCORP, INC.  
331 Dock Street

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON TUESDAY, APRIL 15, 1999

The meeting of Shareholders of First Bancorp will be held at First Bank's head office at 331 Dock St., Ketchikan, Alaska, at 11:30 a.m., April 15, 1999. At the meeting we will ask you to:

1. Elect four (4) directors;
2. Vote on a proposed reorganization that will allow the corporation to become an "S-corporation" for income tax purposes; and
3. To transact such other business as may properly come before the Meeting.

If you were a shareholder of record as of the close of business on March 24, 1999, you may vote at the meeting.

We cordially invite all shareholders to attend the Meeting personally. Whether or not you are able to attend, please be sure to sign, date and promptly return your Proxy in the enclosed pre-paid envelope.

You may revoke your proxy at any time before the vote is taken at the meeting. You may revoke your proxy by submitting a proxy bearing a later date, or by notifying the secretary of First Bancorp (personally in writing or by mail) of your wish to revoke your proxy. You may also revoke your proxy by oral request if you are present at the meeting.

By order of the Board of Directors

William G. Moran, Jr., President

March 25, 1999  
Ketchikan, Alaska

FIRST BANCORP, INC.  
331 Dock Street  
P.O. Box 7290  
Ketchikan, Alaska 99901  
907-225-6101

We are planning to hold our annual shareholders meeting on Thursday, April 15, 1999, at 11:30 a.m. at the main office of First Bank located at 331 Dock Street, Ketchikan, Alaska.

At the meeting, we will ask shareholders to consider and vote on the election of four directors and a proposal to reorganize First Bancorp to become an S corporation for income tax purposes. We want to reorganize as an S corporation because we can

- o Eliminate corporate-level income tax, and
- o Reduce administrative costs

We expect to save more than \$1.3 million in corporate-level income tax during the first year after becoming an S corporation, even after costs of the reorganization of approximately \$100,000

Not every First Bancorp shareholder will continue to be a shareholder after the reorganization. To continue as a shareholder, you must

- o Be a citizen or resident of the United States, and
- o Own at least 750 shares of First Bancorp stock or be a director of First Bancorp.

If you do not meet these criteria, we will pay you \$175.00 per share in cash for each share of your First Bancorp common stock.

The Board of Directors of First Bancorp is soliciting your proxy to vote your shares at the meeting. We sent you this proxy statement to give you important information about the business that will take place at the

meeting. We are providing this information so that you will be fully informed when you vote your shares.

You do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy.

An investment in First Bancorp common stock involves risks. You should carefully read the information under "Risk Factors" on page 4 before sending in your proxy or voting your shares.

You should only rely on the information in this document or in other documents that we refer you to concerning First Bancorp or the proposed reorganization. We have not authorized anyone to provide you with information that is different.

Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this Proxy Statement. Any representation to the contrary is a criminal offense.

March 25, 1999

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Summary

Business of the Meeting

Election of Directors

At the shareholders' meeting, we will ask you to vote on the election of four directors.

The Board of Directors is nominating the following individuals for three-year terms:

William G. Moran, Sr.  
Joseph M. Moran  
Ernest Anderes

These nominees are currently serving as directors.

In addition, the Board is nominating Kay Sims to fill a currently existing vacancy on the Board and to serve a term of two years.

The Board recommends that you vote FOR all of the nominees.

The Reorganization

First Bancorp is proposing to reorganize so that we can be treated as an S corporation for income tax purposes. We want to reorganize as an S corporation because we can eliminate corporate-level income tax.

We expect to save more than \$1.3 million in corporate-level income tax during the first year we are an S corporation, even after spending approximately \$100,000 in costs for the reorganization.

Not every First Bancorp shareholder will continue to be a shareholder after the reorganization. To continue as a shareholder, you must

- o Be a citizen or resident of the United States, and
- o Own at least 750 shares of First Bancorp stock or be a director of First Bancorp.

We chose to include only shareholders with 750 shares or more to ensure that we will qualify as an S corporation following the reorganization. If you do not meet these criteria, we will pay you \$175.00 per share in cash for each share of your First Bancorp common stock. If you meet these criteria, you may continue as a First Bancorp shareholder. If you are otherwise qualified to continue as a shareholder but wish to sell your shares, we may purchase your shares at the discretion of the Board of Directors.

We hired an independent investment advisor to evaluate the common stock and to recommend a fair cash price. The Board accepted Sheshunoff's recommendation of \$175.00 per share based on Sheshunoff's experience in evaluating financial institutions and rendering fairness opinions in merger transactions. For a detailed explanation of how the evaluation was done, including the qualifications of the independent investment advisor, see "Reorganization to Form a Subchapter S corporation - Is the cash price fair?"

We have provided a detailed explanation of the terms and conditions of the reorganization below under "Reorganization to Form a Subchapter S Corporation." Please read the explanation carefully, and also read the plan of reorganization in Appendix A.

The holders of at least a majority of the outstanding shares of First Bancorp must vote in favor of the reorganization for it to be approved. We also will need state and federal regulatory approvals.

The Board of Directors recommends a vote FOR the reorganization.

Directors will not receive cash for their shares in the reorganization, but will continue as shareholders. Each director, as a shareholder, has an interest in paying as little as possible to cash out those shareholders who

are not entitled to remain shareholders. The directors therefore have a conflict of interest in determining the cash price. For this reason, we retained an independent financial advisor to determine a fair cash price. By seeking the advice of an outside expert, the Board believes it is properly fulfilling its fiduciary duty to all shareholders. See "Reorganization to Form a Subchapter S corporation - Is the cash price fair?"

You may be entitled to dissent from the reorganization.

If you are not entitled to continue as a First Bancorp shareholder and you object to the proposed reorganization, state law gives you the right to dissent and receive the fair value of your First Bancorp shares in cash. The fair value of your stock would be determined through a statutory appraisal process and may be more or less than the \$175.00 cash price we are paying. You may not dissent if you are entitled to continue as a First Bancorp shareholder.

To properly exercise your dissenters' rights under Delaware law, you must

- o give written notice to the President of First Bancorp, before we vote on the reorganization, that you intend to dissent and demand a statutory appraisal of your shares, and
- o not vote in favor of the proposal.

Any time within 60 days following the reorganization, you may change your mind and withdraw your dissent and accept the cash payment we are offering. We have attached a copy of the relevant Delaware statute as Appendix C.

Based on the opinion of our tax counsel, the tax consequences of the reorganization will be as follows:

- o If you continue as a shareholder, the reorganization will be tax-free.

The proposed transaction will qualify as a tax-free reorganization. If you continue as a First Bancorp shareholder, you will recognize no gain or loss for income tax purposes, and your cost basis and holding period in your stock will not change.

- o If we pay you cash for your shares, the cash payment will be taxable.

If you receive cash for your First Bancorp stock, you will recognize capital gain or loss in an amount equal to the difference between your cost basis in the stock and the cash you receive.

- o If you continue as a shareholder, you may owe tax on your share of First Bancorp's earnings even if we do not pay you a dividend.

As a shareholder of an S corporation, you will report your pro rata share of the corporation's net income on your own personal income tax return. You may owe tax on your share of the corporation's income, even if the corporation does not pay you a dividend.

#### Voting At The Meeting

If you were a shareholder of First Bancorp as of the close of business on March 24, 1999, you may vote at the shareholders' meeting.

You do not have to attend the meeting. You may vote your shares by proxy if you wish. You may mark the enclosed proxy card to indicate your vote on the matters presented at the meeting, and the individuals whose names appear on the proxy card will vote your shares as you instruct.

You may still attend the meeting even if you have submitted a proxy.

If you submit a proxy with no instructions, the named proxy holders will vote your shares in favor of the nominees for directors and in favor of the reorganization. In addition, the named proxy holders will vote your shares in their own discretion on any other business at the meeting.

You may revoke your proxy at any time before the vote is taken at the meeting.

Voting By Directors And Executive Officers

As of March 24, 1999, directors and executive officers of First Bancorp beneficially owned 63,049 shares, of which all are entitled to vote. Those shares constitute 30.3 percent of the total shares outstanding and entitled to be voted at the meeting. We expect all directors, executive officers and principal shareholders to vote in favor the Board of Directors' nominees for directors, and in favor of the reorganization, although they are not obligated to do so.

Market for the Common Stock

No registered broker/dealer makes a market in First Bancorp common stock and the stock is not listed on any stock exchange. Trading is infrequent and we do not consider the few transactions that have occurred to be an established public market. Generally, First Bancorp common stock is traded by individuals on a personal basis, and prices reported reflect only the transactions we know about. Because there is limited information available, the following data may not accurately reflect the actual market value of First Bancorp common stock.

<TABLE>  
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Period	Number of Shares Reported as Traded	Common Stock Prices		Cash Dividends Declared per Share
		High	Low	
Year Ended 1998	822	\$ 115	\$ 115	\$ 5.00
Year Ended 1997	2,496	\$ 100	\$ 91	\$ 5.00
Year Ended 1996	944	\$ 95	\$ 90	\$ 5.00

</TABLE>

As of March 24, 1999, we had approximately 210 shareholders, not including beneficial owners who hold shares in "street name."

First Bancorp's Dividend Policy. State and federal banking laws and regulations place restrictions on the payment of dividends by a bank to its shareholders. See "Information about First Bancorp -- Supervision and Regulation." Our dividend policy is to review the bank's financial performance, capital adequacy, regulatory compliance and cash resources on a quarterly basis, and, if this review is favorable, to declare and pay a cash dividend to shareholders. Although we expect to continue to pay cash dividends, future dividends are subject to these limitations and to the discretion of the Board of Directors, and could be reduced or eliminated. For the past five years, we have paid a quarterly dividend of \$1.25 per share.

Risk Factors

An investment in First Bancorp common stock can involve risks. You should carefully consider the following risk factors as well as the other information contained in this proxy statement.

You may owe income tax your share of First Bancorp's income, even if we do not pay you a dividend.

Following the reorganization, First Bancorp will be an S corporation for tax years beginning after December 31, 1999.

Subchapter S is a flow-through structure for federal tax purposes and is similar to a partnership. Like partners in a partnership, shareholders of an S corporation report their pro rata shares of the corporation's income on their own personal tax returns. As a result, if you continue as a shareholder after the reorganization, you may have to pay income tax on your share of First Bancorp's income, even if we do not pay any portion of that income to you as a dividend. You may therefore owe income taxes on funds you do not actually receive.

You may not be able to easily sell or transfer your shares, because the Certificate of Incorporation prohibits transfers that would disqualify the company for S corporation tax status.

The purpose of the proposed reorganization is to create a company that qualifies for treatment as an S corporation under the Internal Revenue Service Code. In general, shareholders of S corporations can only be individuals, certain trusts, and employee stock ownership programs, and the number of shareholders cannot exceed 75. After the reorganization, First Bancorp's certificate of incorporation will include a provision that restricts the sale

or transfer of shares if, after such sale or transfer, First Bancorp would be disqualified for treatment as an S corporation. This provision could limit your ability to easily sell or transfer your shares. See "Description of Capital Stock."

The market for First Bancorp common stock is illiquid and you may not be able to sell your shares.

There is no public market for First Bancorp common stock, and we do not expect a public market to develop. An investor in the shares of First Bancorp should expect that the market for their shares will remain illiquid and should expect to hold their shares for an indefinite period of time. Historically, relatively few shares of the First Bancorp's stock have changed hands on an annual basis, and we expect that this situation will continue for the foreseeable future. Moreover, the reorganization will concentrate ownership in fewer individuals, which will further limit the market for shares of common stock. See "Market for the Common Stock."

Management stock ownership may diminish shareholders' ability to affect the results of shareholder votes.

The directors and executive officers of First Bancorp currently beneficially own 63,049 shares, or 30.3% of First Bancorp's outstanding shares. We expect all of these shares will be voted in favor of the nominees for directors and in favor of the reorganization. This significant concentration of ownership by management may diminish the ability of other shareholders to affect the outcome of the votes at the shareholder meeting.

First Bancorp will continue to have a potential tax liability that could discourage a potential acquiror and diminish the value of First Bancorp stock.

Although First Bancorp, as an S corporation, will not be subject to corporate-level income tax, it will continue to have a potential tax liability for gains on appreciated assets if those assets are sold during the first 10 years after conversion to an S corporation. The potential tax liability may discourage a potential acquiror, or may diminish the value received by First Bancorp shareholders in a merger transaction. See "What are the tax consequences?"

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Our geographic concentration creates risks of adverse changes in the local economy.

First Bancorp conducts its business in the communities of southeast Alaska from Ketchikan to Juneau. Our business is geographically concentrated in a region that lacks the economic diversity of larger urban areas in the United States. As a result, adverse economic developments in southeast Alaska can adversely affect the company's financial condition. The economy of southeast Alaska is in a period of transition from being dependent on renewable resources and manufacturing to being focused on seasonal tourism, service industries and government-sponsored projects. This transition may result in a decrease in per capita income and a corresponding decrease in living standards for a significant number of the people living in southeast Alaska. This decrease in income and economic activity could have a material adverse effect on our business.

Other banks, credit unions and securities brokers are competing for our customers.

We compete with several financial institutions, including commercial banks, thrifts, credit unions, investment brokers and insurance companies, many of which offer substantially identical products and services as we do, or have distinct competitive advantages that permit them to attract our customers. Some of the financial institutions competing in our market area are significantly larger than First Bancorp. They have extensive operations in other parts of the state of Alaska as well as other parts of the U.S. These competitors can conduct wide-ranging advertising campaigns and allocate assets to much broader geographic regions than we can. By virtue of their greater capitalization, these institutions also have substantially higher lending limits. These organizations are also financially capable of offering a variety of products from trust services to international banking that First Bank is not prepared to offer. Others, such as credit unions, can offer rates that are more competitive than ours because of special tax and regulatory exemptions that lower their operating costs. Although we have been able to compete effectively in our market area, the changing nature of the banking industry may increase competition and adversely affect our profits.

The loss of key personnel could hurt our operations.

The success of First Bancorp is dependent on our ability to attract and



retain high quality management. Our president, William G. Moran, Jr., and members of his family have a long history with the bank and have developed the strong relationships with our customers that have been one key to our success. The loss of Mr. Moran or other senior executive officers could adversely impact our operations and our ability to attract and retain customers. In addition, a disruption in senior management could hamper our ability to be prepared for the year 2000 transition. We do not have employment contracts with any of our senior management. We maintain key man life insurance on Mr. Moran and Michael Youngblood, Vice President. Mr. Youngblood manages our data processing systems and is in charge of our Y2K readiness program.

Regulatory burdens can limit our growth, profitability and ability to pay dividends.

Bank holding companies and their subsidiary banks are subject to extensive regulation. These regulations are generally intended to protect our deposit customers without regard to our shareholders. Legislation affecting the financial services industry is under consideration from time to time in Congress. Regulatory restrictions could limit our ability to compete and could adversely affect our profitability. Moreover, First Bancorp is dependent upon its wholly owned bank subsidiary, First Bank, for revenues to pay operating expenses and to pay dividends to shareholders. First Bank is subject to a variety of state and federal banking regulations that could limit its ability to pay dividends to First Bancorp if those payments might adversely affect the bank's financial condition. See "Description of First Bancorp - Supervision and Regulation."

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Charter provisions may discourage a take-over, preventing a potential increase in share value.

First Bancorp's certificate of incorporation authorizes the Board of directors to issue additional shares of authorized but unissued shares of common stock, as well as options or other rights to acquire shares of stock. This authority gives the Board of Directors the ability to raise capital and provides flexibility in financing corporate transactions. The issuance of additional securities could dilute the ownership interest of existing shareholders. The existence of stock options or the issuance of additional stock could also increase the cost of acquiring control of the company, and could be deemed to be an anti-takeover provision.

The certificate of incorporation and bylaws provide for a staggered board of directors. Approximately one-third of the director positions are filled each year. In addition, the removal of a director requires a super majority vote of either the shareholders or the current directors. These provisions make it difficult for a dissident shareholder to remove the entire board of directors at one time, and may have the effect of discouraging potential acquirers. As a result, you may not benefit from the increase in share value that a take-over might cause. See "Description of Capital Stock."

Year 2000 computer problems could interfere with collecting loan payments and could cause customers to withdraw deposits.

Our operations are substantially dependent on the reliable performance of our computer systems and software. It is now widely recognized that the Year 2000 may pose significant problems if date-sensitive computer equipment and software fail to properly recognize dates after December 31, 1999. These problems may affect our own computer systems and software and other electronic devices, as well as those of third-party vendors and significant customers. A failure of our internal systems to perform properly could cause a disruption in our business. In addition, similar disruptions in the businesses of our vendors and significant customers could adversely affect our ability to collect payments due on outstanding loans or to conduct other normal business activities. Further, as Y2K has been well publicized, some bank customers may seek to withdraw significant amounts of funds held on deposit, creating pressure on the bank's liquidity. We do not expect widespread withdrawals to occur, but the need to maintain adequate liquidity could have an adverse effect on our ability to invest in interest-earning assets at that time, which could adversely affect our earnings in the short term. See "Information about First Bancorp - Year 2000 Readiness."

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Business of the Meeting

Agenda Item 1. Election of Directors

At the meeting, you will be asked to vote on the election of four directors. Directors are elected by a plurality of votes, which means that nominees receiving the most votes are elected, regardless of how many votes they receive. You may not accumulate votes in the election of directors.

The number of directors may be between 5 and 25, with the exact number to be fixed from time to time by resolution of the Board of Directors. The Board of Directors has set the number of directors at nine.

Directors are elected in three classes to three-year terms expiring at consecutive annual meetings of the shareholders or when their successors have been elected and qualified. Five directors are serving terms that will expire in 2000 or 2001. Three directors have completed their terms. There is currently one vacant position. These four positions are open for election, three for three-year terms, and one for a term of two years.

The Board of Directors is nominating the following individuals for three-year terms:

William G. Moran, Sr.  
Joseph M. Moran  
Ernest Anderes

These nominees are currently serving as directors.

In addition, the Board is nominating Kay Sims to fill a currently existing vacancy on the Board and to serve a term of two years.

If you submit a completed proxy, the individuals named as proxy holders will vote your shares as you instruct. If you do not specify your choices, then the persons named in the proxy will vote for the election of the nominees listed above.

If any of the nominees is not available for election, your shares will be voted for a substitute nominee chosen by the Board of Directors. We believe all nominees will be available for election. We recommend a vote FOR the election of all nominees.

Information about the directors, nominees and executive officers

The following describes certain information about each director, each nominee for director, and each executive officer of First Bancorp. Following the reorganization, each of these individuals will continue in their respective capacities.

The business experience of each of the directors and executive officers for the past five years has been as follows:

William G. Moran, Sr., age 80, serves as the Chairman of the Board of Directors. Mr. Moran has been with First Bank for approximately 45 years.

William G. Moran, Jr., age 45, serves as a director, and as the President and Chief Executive Officer, a position he has had for over 15 years. Mr. Moran is the son of William G. Moran, Sr. and the brother of Joseph M. Moran, another director.

Joseph M. Moran, age 47, has served as a director of First Bank since 1984. Mr. Moran is an attorney and is president of his law firm, DeLisio Moran Geraghty & Zobel PC in Anchorage, where he has practiced for over 20 years. Mr. Moran is the son of William G. Moran, Sr., Chairman of the Board of Directors, and brother of William G. Moran, Jr., President of First Bancorp.

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Ernest J. Anderes, age 70, has served as a director of First Bank since 1975 and of First Bancorp since its inception in 1989. Mr. Anderes has been the owner of Anderes Oil, Inc. a petroleum products distributor, for over 25 years.

Michael J. Cessnun, age 43, has been a pilot for Alaska Airlines for 18 years. He has served as a director of First Bancorp since 1994.

Michael J. Elerding, age 46, has served as a director since 1990. Mr. Elerding is the owner of Northern Sales Co. of Alaska, a wholesale food distributor, and currently serves as its president. Prior to joining that company in 1983, Mr. Elerding was employed by First Bank as a branch manager.

Lisa A. Murkowski, age 41, has served as a director since 1990. Ms. Murkowski is an attorney in Anchorage where she has practiced for the past 10

years. She was recently elected to the Alaska House of Representatives.

Alec W. Brindle, age 33, has served as a director since 1995. Mr. Brindle is an attorney in Seattle, where he has practiced for the past 5 years.

Kay D. Sims, age 59, is a long-time resident of Ketchikan, and has been active in the community, both in business and in community service organizations. Ms. Sims is a managing member of Hospitality Unlimited, LLC, the owner and operator of the Best Western Landing Hotel and Annabelle's Famous Keg and Chowder House, in Ketchikan, and the Prospector Hotel in Juneau.

James C. Sarvela, age 43, serves as Vice President and Chief Financial Officer, a position he has had for over 10 years. Mr. Sarvela has more than 20 years of banking experience, most of which is with First Bank.

Jack E. Vaughn, age 51, serves as Vice President and Senior Lending Officer. Mr. Vaughn has over 22 years of banking experience and has been employed by First Bank since 1985 in various positions, including loan officer and branch manager.

E. Michael Youngblood, age 48, serves as Vice President and oversees the Systems Development Department. Mr. Youngblood has been with First Bank for over 20 years.

The Board of Directors held ten meetings during 1998. All directors, including those nominated for election, attended at least 75 percent of the total number of meetings held during 1998.

How we compensate our directors

Each director of First Bancorp serves as a director of First Bank, our subsidiary bank. The bank compensates the directors for their service, and the directors do not receive additional compensation for serving as a director of the holding company. We pay each director of the Bank a fee of \$500 per meeting of the Board of Directors and each non-employee director \$100 for each committee meeting.

How we compensate our executive officers

We compensate our executive officers with a combination of salary, bonus and other benefits. The table below shows the total compensation during 1998 of the President and each executive officer that received in excess of \$100,000:

<TABLE>  
<CAPTION>

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Other * Annual Compensation	All Other Compensation
		Salary	Bonus			
<S>	<C>	<C>	<C>	<C>		
William G. Moran, Jr. President of First Bancorp	1998	\$198,721	\$105,000	\$ 8,459	\$ -	
Chief Executive Officer, First Bank	1997	\$200,214	\$100,000	\$ 5,684	\$ -	
	1996	\$188,905	\$ 95,000	\$ 4,619	\$ -	
James C. Sarvela Vice President, Chief Financial Officer	1998	\$110,643	\$ 8,000	\$ 5,701	\$ -	
	1997	\$107,364	\$ 7,000	\$ 3,949	\$ -	
	1996	\$108,779	\$ 6,500	\$ 3,146	\$ -	
Jack E. Vaughn Vice President, Senior Lending Officer	1998	\$100,417	\$ 7,500	\$ 5,278	\$ -	
	1997	\$ 97,025	\$ 6,500	\$ 3,660	\$ -	
	1996	\$ 93,711	\$ 5,500	\$ 2,873	\$ -	
E. Michael Youngblood Vice President, Systems Administration	1998	\$117,491	\$ 8,000	\$ 6,153	\$ -	
	1997	\$113,892	\$ 7,000	\$ 4,265	\$ -	
	1996	\$110,107	\$ 6,500	\$ 3,350	\$ -	

\*Contributions to 401(k) and ESOP.

</TABLE>

None of the executive officers received perquisites or other personal benefits exceeding the lesser of \$50,000 or 10% of the respective person's

total annual salary and bonus.

Does First Bancorp or First Bank do business with their directors and officers?

From time to time, some of the directors and officers of the Bank, members of their immediate families, and firms and corporations with which they are associated do business with First Bank. Generally this business involves ordinary banking transactions, such as borrowings and investments in time deposits. We make these transactions in the ordinary course of business, on substantially the same terms, including interest rates paid or charged and collateral required, as those prevailing at the time for comparable transactions with unaffiliated persons. Loans to directors and executive officers do not involve more than the normal risk of collectibility or have other features that would be disadvantageous to the bank. As of December 31, 1998, the aggregate outstanding amount of all loans to officers and directors was approximately \$1,619,000, which represented 7% of First Bancorp's consolidated shareholders' equity at that date. All of these loans are currently in good standing and are being paid in accordance with their terms.

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How much stock do the directors and executive officers hold?

The following table shows the number of shares that each of the directors and the named executive officers beneficially owned as of the Record Date, and the directors and executive officers as a group. The table also includes those persons that we know beneficially own more than 10% of the common stock. The number of shares shown are held directly with sole voting and investment power, unless otherwise indicated.

Name and Position	Number of Shares Beneficially Owned	Percentage of Class
William G. Moran Sr., Chairman of the Board	21,793 (1)	10.5%
William G. Moran, Jr., Director, President	28,783 (2)	13.8%
Ernest J. Anderes, Director	1,553 (3)	*
Alec W. Brindle, Jr., Director	222	*
Michael J. Cessnun, Director	3,169 (4)	1.5%
Michael J. Elerding, Director	523 (5)	*
Joseph M. Moran, Director	8,644 (6)	4.2%
Lisa A. Murkowski, Director	201 (3)	*
Kay D. Sims, Nominee for Director	5,996 (4)	2.9%
James C. Sarvela, Chief Financial Officer	322 (7)	*
Jack E. Vaughn, Vice President	237 (7)	*
E. Michael Youngblood, Vice President	566 (7)	*
All directors and executive officers as a group (11 persons)	63,049	30.3%

\* Less than 1.0%.

- (1) Includes shares held jointly with his spouse.
- (2) Includes shares held jointly with his spouse. Also includes shares held by entities of which Mr. Moran is a principal. Also includes shares held in the Employee Stock Ownership Plan. (3) Does not include shares held by the Employee Stock Ownership Plan of which this person serves as a trustee. (4) Includes shares held in a family partnership. (5) Includes shares held by Northern Sales Co. profit sharing plan. Mr. Elerding is the owner and president of Northern Sales Co. of Alaska. (6) Includes shares held jointly with his spouse. Also includes shares held by entities of which Mr. Moran is a principal. (7) Includes shares held in the Employee Stock Ownership Plan

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## Agenda Item 2. Reorganization to Form a Subchapter S Corporation

What is a Subchapter S Corporation?

Subchapter S is a flow through structure for federal income tax purposes and is similar to a partnership. Like a partner in a partnership, a shareholder of an S corporation must report on his or her tax return his or her pro rata share of the corporation's income and deductions. An S corporation pays no federal or (in many states) state corporate income taxes. By eliminating federal tax at the corporate level, an S corporation avoids double taxation of corporate profits that are distributed as dividends to shareholders.

To qualify for treatment under Subchapter S, a corporation must meet the following criteria:

- o The corporation must have no more than one class of stock
- o The corporation must have no more than 75 shareholders
- o Shareholders of an S corporation must be natural persons or a qualifying trust
- o Shareholders must be residents or citizens of the U.S.

Why form a Subchapter S Corporation?

The banking industry is undergoing significant changes, among which is the continuing consolidation through mergers and acquisitions involving both community banks and large, regional banks. This consolidation results in larger institutions that have higher lending limits and are able to conduct advertising and marketing activities on a large scale. The evolution of the banking industry is increasing the competitive pressures on our bank. We believe that the reorganization will enable us to be more profitable and enhance shareholder value by eliminating or reducing the amount of tax on net income at the corporate level.

Eliminating the Corporate Income Tax. Generally, corporations that qualify under Subchapter S do not pay income taxes at the corporate level. Unlike other corporations, which are taxed under Subchapter C of the Internal Revenue Code, the earnings of an S corporation can be distributed to shareholders in the form of dividends without any prior reduction to account for income taxes. This means that more of the net earnings of the corporation is available for distribution to shareholders or for other corporate purposes.

For the year ended December 31, 1998, First Bancorp paid or will pay approximately \$1,432,000 in corporate income taxes on pre-tax earnings of \$3,750,979. We paid out \$1,041,773 in dividends in 1998. The amount of net income available for investment and for distributions to shareholders is significantly reduced by corporate level taxation. In addition, distributions to shareholders currently are made on an after-tax basis, meaning that all dividends have been taxed at the corporate level, and are taxed again at the individual level. This double taxation of dividends significantly reduces the value of such distributions to shareholders and can adversely affect the value of the common stock.

How will the reorganization be accomplished?

We have organized a new corporation called Newco Alaska, Inc. solely to complete the reorganization. Newco is a shell corporation with no assets or operations. Newco's management consists of the same people who are currently directors and executive officers of First Bancorp.

Newco and First Bancorp will merge, with Newco being the surviving corporation. Newco will elect S corporation status prior to the merger, then change its name to First Bancorp, Inc. upon completion of the merger.

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Because this merger is simply a legal procedure, we refer only to First Bancorp, either before or after the reorganization, and not to Newco as a separate entity.

Only some of First Bancorp shareholders will continue to be shareholders of First Bancorp following the reorganization.

You are eligible to continue as a First Bancorp shareholder if you

- o are a citizen or resident of the United States, and
- o own at least 750 shares of First Bancorp stock or you are a director of First Bancorp.

If you do not meet these criteria, we will pay you \$175.00 per share in cash for each share of your First Bancorp common stock and you will no longer be a shareholder of First Bancorp. We chose to include only shareholders with 750 shares or more to reduce the total number of shareholders to less than 75 in order to qualify as an S corporation following the reorganization. As of March 24, 1999, approximately 50 shareholders hold more than 750 shares. We expect substantially all shareholders holding more than 750 shares to maintain their ownership positions prior to and following the reorganization.

How much will the reorganization cost?

We expect the reorganization to cost approximately \$100,000 including fees and expenses paid for professional services, printing and mailing proxy materials and organizational expenses for Newco. We anticipate that cash payments to those shareholders who do not continue as First Bancorp shareholders will total approximately \$5,250,000. We have made arrangements with an unaffiliated financial institution for a \$3 million line of credit to provide funds to cover the costs of the reorganization. First Bancorp will pay the remaining costs from a dividend from First Bank.

Is the cash price fair?

We hired Alex Sheshunoff & Co Investment Banking, an independent investment banking firm, to conduct an appraisal of First Bancorp common stock, to determine a fair value of the common stock and to provide its opinion of the fairness of the cash price we are paying. Sheshunoff determined that the cash price of \$175.00 per share was a fair value, and has given us an opinion that the cash price is fair from a financial point of view, to shareholders who are to receive cash in the reorganization. The Board accepted Sheshunoff's recommended cash price and did not participate in the determination of that price.

As part of its investment banking business, Sheshunoff is regularly engaged in the valuation of securities in connection with mergers and acquisitions, and valuations for estate, corporate and other purposes. We retained Sheshunoff based upon its experience in evaluating financial institutions.

Scope of the analysis

To determine the cash price, Sheshunoff analyzed

- o recent merger or acquisition transactions involving comparably sized financial institutions,
- o First Bancorp using a discounted cash flow analysis, and
- o market prices of similar financial institutions in the Northwest that are not involved in merger or acquisition transactions.

Sheshunoff also considered the Alaska economy compared to those of the states of Oregon and Washington. Based on these analyses and its experience in evaluating financial institutions, Sheshunoff concluded that \$175.00 per share was a fair price for First Bancorp common stock.

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A copy of Sheshunoff's opinion letter is attached as Appendix B. We urge you to read the opinion carefully. The opinion is not a recommendation to any shareholder as to how he or she should vote on the proposed reorganization.

Sheshunoff reviewed and evaluated information about First Bancorp, including

- o First Bancorp's consolidated financial statements,
- o budget and financial projections prepared by the management of First Bancorp, and
- o conversations with management regarding recent and projected financial performance of First Bancorp.

Sheshunoff reviewed First Bancorp's internally generated financial forecasts as part of its discounted cash flow analysis. Management's forecasts assumed

- o asset growth of approximately 5% per year,
- o return on assets of approximately 1.0%,
- o net income growth of between 6% and 18% per year, and
- o constant dividend payout of 40% of net income per year.

The financial forecasts that we provided to Sheshunoff were developed for internal planning purposes only, and do not represent any promise or expectation of future results.

Sheshunoff did not independently verify any of information it used in its analysis, or any of our assumptions. Sheshunoff did not independently appraise First Bancorp's assets or liabilities, and did not examine any individual loan files.

The fairness opinion requires subjective decisions as to which methods

of financial analysis to use. Therefore, the evaluation of the fairness of the cash payment is subjective and is based on Sheshunoff's experience and judgment and not merely the result of mathematical analysis. You should not view the analyses and resulting values described below as indicative of actual values or future results.

#### Analysis of Comparable Transactions.

Sheshunoff analyzed the premiums paid in selected pending or recently completed acquisitions of banking organizations in the United States and in the Northwestern United States, with comparable characteristics to the First Bancorp transaction. Two sets of comparable transactions were analyzed to ensure a thorough comparison.

The first set of comparable transactions consisted of 7 transactions in Idaho, Montana, Oregon and Washington that were announced within the past two years and involving institutions with total assets between \$100 million and \$300 million. The following table shows the results of that analysis:

<TABLE>  
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	Seller Information					Announced Deal Information				
	Total Assets (\$000)	Eqty/Assets (%)	YTD ROAA (%)	YTD ROAE (%)	NPAs/Assets (%)	Deal Pr/Bk (%)	Deal Pr/Tg Bk (%)	Deal Pr/4-Qtr EPS (x)	Deal Pr/Deps (%)	Deal Pr/Assets (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Maximum	\$ 298,478	10.57	2.21	26.65	0.62	3.97	3.97	29.78	37.97	32.87
Minimum	\$ 105,504	6.18	0.67	8.13	-	2.44	2.49	12.03	17.32	16.04
Average	\$ 165,708	8.01	1.51	18.64	0.22	3.08	3.14	19.93	28.92	24.94
Median	\$ 107,199	8.00	1.65	21.00	0.01	2.60	2.79	20.32	29.53	26.64
First Bancorp, Inc.	\$ 254,795	9.10	0.98	11.10	0.19	1.57	1.61	15.72	15.88	14.30

</TABLE>

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No sales of banks have been reported in the state of Alaska since January 1, 1997. The first set of comparable transactions included banks that sold in locations in closest proximity to First Bancorp's location.

The second set of comparable transactions consisted of 25 mergers and acquisitions located in the United States that were announced within the past two years involving institutions with total assets between \$200 million and \$300 million. The following table shows the results of that analysis:

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	Seller Information					Announced Deal Information				
	Total Assets (\$000)	Eqty/Assets (%)	YTD ROAA (%)	YTD ROAE (%)	NPAs/Assets (%)	Deal Pr/Bk (%)	Deal Pr/Tg Bk (%)	Deal Pr/4-Qtr EPS (x)	Deal Pr/Deps (%)	Deal Pr/Assets (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Maximum	\$298,478	13.89	2.88	35.30	1.70	5.59	5.59	5.59	57.10	60.56
Minimum	\$200,916	7.11	0.46	6.88	-	1.85	1.85	1.85	9.35	17.46
Average	\$241,117	9.43	1.41	15.58	0.55	3.14	3.14	3.28	25.83	29.71
Median	\$234,257	8.58	1.23	13.51	0.43	3.00	3.00	3.03	23.50	28.68
First Bancorp, Inc.	\$254,795	9.10	0.98	11.10	0.19	1.57	1.57	1.61	15.72	14.30

</TABLE>

The comparable transactions approach indicated per share valuations for First Bancorp stock ranging between \$154 and \$178. These values were determined using multiples of earnings and book value that Sheshunoff determined to be appropriate based on the similarities and differences between First Bancorp and the other institutions.

The table above shows that if First Bancorp shares were valued using the national sample group's maximum multiples of book value and trailing four-quarter earnings, the cash price would have been \$623 and \$635, respectively. If valued at the minimum multiples, the cash price would have been \$206 and \$104, respectively.

The multiples for First Bancorp tended to be lower than many of the comparable transactions because First Bancorp's return on assets and return on equity were lower than average for the sample group. In addition, Sheshunoff noted appreciable differences between the market areas of First Bancorp and

the other institutions.

#### Discounted Cash Flow Analysis.

Using discounted cash flow analysis, Sheshunoff estimated the present value of the future stream of after-tax cash flow that First Bancorp could produce through the year 2003. After-tax cash flow is the maximum dividends available to shareholders while maintaining capital ratios. The analysis was done using two different sets of assumptions:

- o Intermediate net income growth rate ranging between 6% and 18% through the year 2003 based on management's projections, with the terminal value based on a 4% growth rate, and
- o Intermediate net income growth rate of 18.5% through the year 2003 based on the historical average for the past three years, with the terminal value based on a 4% growth rate.

Sheshunoff estimated the terminal value for First Bancorp at the end 2003 by capitalizing projected earnings for 2003 assuming a long-term growth rate of 4%, because that rate reasonably could be expected to be sustained indefinitely. First Bancorp's average historical growth rate for the past three years was 18.5%. Although the recent historical growth rate is significantly higher than Sheshunoff's assumed long-term rate, the historical rate is likely not sustainable; net income for 1998 grew only 5.9% from 1997.

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The terminal value was then discounted to present value using a discount rate of 13%-15%. Sheshunoff believes that this discount rate reflects the risk of uncertainty associated with the expected cash flow stream, and represents a rate of return investors would seek from similar investments with similar risks. Sheshunoff determined the appropriate discount rate by adjusting the risk-free rate of return by the equity risk and specific company risk of holding common stock in First Bancorp.

The discounted cash flow analysis based on management's projected 6% - 18% intermediate growth rate indicated a per share value range of \$131 to \$162. Based on the three-year historical average growth rate of 18.5%, the resulting per share value ranged from \$181 to \$225.

Sheshunoff's analysis was based on assumptions it believes are appropriate and would give the best indications of estimated value. You should be aware that a discounted cash flow analysis based on different assumptions would yield significantly different value indications. For example, if the terminal value were calculated using a 5% long-term growth rate, the per share value range would be \$141-\$175 using management's growth estimates, and \$194-\$246 using the 18.5% recent historical growth rate. Further, applying a discount rate of 11%-13% to the original assumptions would yield per share values ranging from \$162-\$211 using management's growth projections and \$225-\$294 using the recent historical growth rate.

The use of different assumptions illustrates the imprecise nature of the evaluation process. Sheshunoff chose a 4% long-term growth rate and 13%-15% discount rate on the basis of its judgment and experience in evaluating financial institutions. As the evaluation process involves considerable use of judgment, we cannot be sure that the assumptions will prove accurate.

#### Comparable Company Analysis

The lack of recent bank acquisitions in the state of Alaska makes valuations based on comparable institutions located in other states inconclusive. The economic conditions in Alaska are much different than those of other states in northwestern United States. Sheshunoff compared selected financial data and market prices of a group of northwestern bank holding companies to publicly traded banks in Alaska with assets below \$500 million. There is only one publicly traded bank in Alaska with assets under \$500 million.

This comparison showed that the Alaska bank's pricing multiples were lower than those reported by the other institutions in the group. The following table illustrates this comparison:

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Bank Name	Location	Ticker	Total	Equity	Return	Return	Price to	Market
-----------	----------	--------	-------	--------	--------	--------	----------	--------



			Assets (\$000)	to Assets (%)	On Assets (%)	On Equity (%)	LTM Earnings Multiple (x)	Price to Book Value (%)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
American Pacific Bank	Portland, OR	AMPBB	48,575	9.06	0.87	9.03	9.72	90.21
Cascade Bancorp	Bend, OR	CACB	286,272	9.19	2.20	22.46	20.35	414.69
Columbia Bancorp	The Dalles, OR	CBBO	265,802	8.64	1.89	21.02	13.64	271.90
Northern Bank of Commerce	Portland, OR	NBOC	57,938	8.55	0.89	10.16	25.39	201.11
Northrim Bank	Anchorage, AK	NRIM	328,836	7.85	1.52	18.28	11.07	177.48
Security Bank Holding Co.	Coos Bay, OR	SBHC	280,386	10.58	0.95	9.09	13.67	120.03
United Security Bancorp	Spokane, WA	USBN	404,667	10.09	1.47	14.86	12.20	167.87
VRB Bancorp	Rogue River, OR	VRBA	308,594	11.03	1.64	14.43	14.35	198.21
		Maximum	404,667	11.03	2.20	22.46	25.39	414.69
		Minimum	48,575	7.85	0.87	9.03	9.72	90.21
		Average	247,634	9.37	1.43	14.92	15.05	205.19
		Median	283,329	9.13	1.50	14.65	13.65	187.84
First Bancorp, Inc.	Ketchikan, AK		254,795	9.10	0.98	11.10	NA	NA

</TABLE>

No company or transaction is identical to First Bancorp or the reorganization. A valuation analysis necessarily involves subjective considerations and judgments about the differences between First Bancorp the companies to which it is being compared. Mathematical analysis is not in itself a meaningful method of using comparable transaction data or comparable company data.

We have agreed to pay Sheshunoff a retainer fee of \$2,500, and professional fee of \$22,500 upon the delivery of a fair value determination its opinion of the fairness of the cash price. Sheshunoff's fee is not contingent upon or affected by its valuation conclusion.

Sheshunoff has for the past several years provided a fair market value of the shares held by First Bancorp's Employee Stock Ownership Plan. Other than these activities, there has been no relationship between Sheshunoff and First Bancorp during the past two years.

You are urged to read the fairness opinion carefully. Sheshunoff's opinion does not constitute a recommendation as to how you should vote at the meeting.

The Board of Directors recommends a vote FOR the reorganization

The Board of Directors of the Bank has unanimously approved the reorganization, and believes the formation of an S-corporation is in the best interests of the shareholders. If for any reason the Board of Directors believes that completing the reorganization is inadvisable, then we will not be required to complete the reorganization. For example, the Board would likely abandon the reorganization if

- o the tax code was amended to diminish the tax advantage of being an S corporation, or
- o the cost of the reorganization would reduce the company's capital to a level below regulatory minimum.

We have not been approached by any other institution about merging with or acquiring First Bancorp.

Conditions to the Reorganization

We will not complete the reorganization unless certain conditions are satisfied. Those conditions, which are described below are:

- o Shareholder approval by a majority vote

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- o Regulatory approval by the Federal Reserve and the Alaska Division of Banking

Shareholder Approval is Required

The holders of at least a majority of the outstanding shares of First Bancorp common stock must approve the reorganization. As of March 25, 1999, we had approximately 210 shareholders, not counting beneficial owners who hold shares in "street name." As of that date, we had 208,275 shares outstanding,

of which 63,049 were held by directors and executive officers. Those shares constituted 30.3% of the total shares outstanding. We expect all directors and executive officers to vote in favor of the reorganization.

#### Regulatory Approvals

- o State Approval. Although the creation of Newco and the merger with First Bancorp is only a procedural method to complete the reorganization, the Director of the Alaska Division of Banking must approve Newco to operate as a bank holding company in the state of Alaska. We are applying to the Director for such approval, and we anticipate receiving approval in due course. However, we cannot be sure as to when or if such approval will be given.
- o Federal Approval. The Board of Governors of the Federal Reserve System has regulatory jurisdiction over bank holding companies and transactions involving bank holding companies. We are applying to the Federal Reserve for approval of the reorganization. We believe that the Federal Reserve will approve the transaction in due course. We cannot be sure, however, that we will receive approval. We may also encounter delays or other unfavorable action.

You may dissent from the reorganization

You have the right to dissent from the reorganization if you are not entitled to continue as a First Bancorp shareholder. Within 120 days after the reorganization is completed, you may petition the Chancery Court in the State of Delaware for an appraisal of your shares.

The fair value of your stock determined through the statutory appraisal process may be more or less than the \$175.00 cash price we are paying. You may not dissent if you are entitled to continue as a First Bancorp shareholder, because Delaware law provides that if you are to receive shares of the acquiring company in a merger, you may not dissent from the proposal.

To properly exercise your dissenters' rights under Delaware law, you must

- o give written notice to the President of First Bancorp, before we vote on the reorganization, that you intend to demand appraisal of your shares, and
- o not vote in favor of the proposal.

If the shareholders approve the reorganization, and you have properly perfected your dissenters' appraisal rights, we will send you a notice within 10 days after we have completed the reorganization. You may, within 20 days following the date our notice is mailed to you, demand in writing the appraisal of your shares.

Any time within 60 days following the reorganization, you may withdraw your demand for an appraisal and receive the cash price for your shares. We have attached a copy of the Delaware appraisal statute as Appendix C.

What do I have to do in the reorganization?

We will send to you a letter when the reorganization has been completed. If you are entitled to continue as a shareholder, you need take no further action.

If you are not entitled to continue as a First Bancorp shareholder, we will send you a check for the cash payment. Your First Bancorp stock certificates will be cancelled, and you do not need to take any further action.

What if I don't want to cash in my shares?

If you own fewer than 750 shares of First Bancorp common stock and wish to remain a shareholder, you may purchase shares from other shareholders who are willing to sell their shares so that you hold at least the minimum of 750 shares. All transactions are the responsibility of individual shareholders and we cannot guarantee the price or availability of shares for purchase.

What if I want to sell my shares, but I own more than 750 shares?

You are free to sell your shares at any time before we complete the reorganization. In addition, at the discretion of the Board of Directors, we will purchase your shares at the cash price, even if you own more than 750 shares. You should notify us immediately after the shareholder meeting if you intend to request cash for your shares and you are not otherwise entitled

to a cash payment. If you own more than 750 shares and you want to be sure that we will purchase your shares, you may sell or transfer some of your shares prior to the reorganization to reduce the number you hold to less than 750 shares.

We will consider all requests for cash payment submitted by those shareholders not otherwise entitled to receive cash if the requests are submitted within 10 days following the shareholders' meeting. Assuming that the Board of Directors in its sole discretion determines that there are sufficient funds available, we will purchase shares from all shareholders requesting cash payment.

We will purchase from those shareholders holding the fewest shares first. We will purchase shares from as many shareholders that wish to sell their shares as possible so long as we are able without our capital falling below regulatory minimums. If we purchase your shares, we will only purchase all, and not less than all, of your shares. We currently expect that we will purchase approximately 12,000 shares from shareholders holding 750 shares or more.

If you are otherwise not entitled to receive cash, we reserve the right not to purchase your shares. We will not purchase your shares if doing so would cause First Bancorp's capital to fall below the regulatory minimum for a well-capitalized institution.

What are the tax consequences of the reorganization to me and First Bancorp?

We have received an opinion from our tax counsel stating that the reorganization will have the following tax consequences:

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Shareholders who continue as shareholders of First Bancorp

If you continue as a First Bancorp shareholder, you will recognize no gain or loss for income tax purposes, and your cost basis and holding period in your stock will not change.

As a shareholder of an S corporation, your cost basis in your shares will fluctuate. If the corporation realizes income that is not distributed, your basis will increase by the amount not distributed. Distributions, or dividends paid out, will decrease your basis in the stock. Whether or not we pay out a dividend, you will be liable for income tax on your share of net income of the corporation.

Shareholders who receive cash for their First Bancorp shares

If you receive cash for your First Bancorp stock, you will recognize capital gain or loss in an amount equal to the difference between your cost basis in the stock and the cash you receive as of the date of the reorganization.

We urge you to consult your own tax advisor about your own tax matters.

First Bancorp

An S corporation is generally exempt from income tax, and net income is passed through to its shareholders. A corporation that was a C corporation and subsequently converted to as S corporation may be taxed on what is known as built-in gains.

The built-in gains tax is a tax at the corporate level on income or capital gains realized during the time when the corporation was a C corporation. This tax is intended to prevent a corporation from circumventing corporate level tax on appreciated assets by converting to S status. The tax applies to

- o gains recognized on appreciated assets if those assets are disposed of within 10 years of conversion to S status, and
- o income generated as a result of required accounting method changes.

Gains on the sale of assets. We estimate that as of January 1, 1999, we have built-in gains for assets that have a reasonable likelihood of being disposed of within 10 years of between \$615,000 and \$2.7 million. The potential tax liability ranges from \$250,000 to \$1,110,000. The lower amount assumes that Other Real Estate Owned is sold, and includes income realized from required changes in accounting for the loan loss reserve. The higher amount assumes the additional sale of real property that we own, a circumstance we consider highly unlikely. An even greater built-in gains tax would exist if First Bancorp merged with or was acquired by another

institution in a taxable transaction or if all bank assets were purchased by another institution during the 10-year period. As of January 1, 1999, the total estimated built-in gains were approximately \$13 million, with a potential tax liability of approximately \$5.33 million. This tax liability might be viewed unfavorably by a potential acquiror or might reduce the value received by shareholders in such a transaction.

Loan loss reserve accounting change. As an S corporation, we must change from the reserve method of accounting for loan losses and adopt the specific charge-off method. The recapture of the loan loss reserve will generate built-in gains ratably over the next six years, which may be offset with built-in losses. As of December 31, 1998, the maximum aggregate built-in gains tax on the recapture of loan loss reserves would have been approximately \$155,000, payable over six years.

The size of the built-in gains and associated taxes are based on management's best estimates. The actual built-in gain will be calculated as of the date we become an S corporation. We expect to minimize recognition of built-in gains as much as possible, so these estimates may not necessarily be realized.

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#### Accounting treatment of the reorganization

We intend to account for the reorganization as a repurchase of treasury stock. Under this method of accounting, the assets and liabilities of First Bancorp are carried forward on a historical basis. The total cash amount paid to shareholders will be recorded as a reduction in shareholders' equity. We expect this cash amount to be approximately \$5,225,000, assuming that we purchase approximately 30,000 shares. Actual costs could be as high as \$6 million and as low as \$4 million.

#### Restrictions on resale of shares

After the reorganization, transfers of stock will be prohibited if the transfer would result in disqualification of First Bancorp for income tax treatment as an S corporation. See "Description of Capital Stock." Transfers that would disqualify First Bancorp as an S corporation would be any transfer:

- o to a corporation
- o to a non-qualifying trust
- o to a non-U.S. citizen or non-resident alien or
- o that would result in First Bancorp having more than 75 shareholders

After the reorganization, you may sell or transfer any number of your shares even if you have fewer than 750 shares after the sale. However, because the transfer of shares is subject to the provisions of the certificate of incorporation, you should confirm with the company the validity of any sale or transfer prior to making any such sale or transfer of your shares. Any purported transfer that would disqualify First Bancorp as an S corporation will be void, and the transfer will not be recorded on the shareholder record.

After the reorganization, directors, executive officers and significant shareholders of First Bancorp may not sell their shares of First Bancorp common stock, except pursuant to an effective registration statement under the Securities Act of 1933, or pursuant to the provisions of Rule 144 under the Securities Act of 1933, unless in the opinion of counsel such shares may be sold pursuant to an applicable exemption from the registration requirements of the Securities Act.

#### Other information is available

We have filed a registration statement on Form S-4, Commission File No. 333 - 72049, with the Securities and Exchange Commission covering the Newco shares to be issued in the reorganization. This proxy statement serves as the prospectus portion of the registration statement. Some of the information filed as part of the registration statement has not been included in this proxy statement, as permitted by SEC rules. You can inspect and copy the registration statement at Public Reference Section of the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20459, or at the regional offices of the Commission located at 7 World Trade Center, Suite 1300, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You can also obtain a copy of the registration statement online from the internet website maintained by the SEC at <http://www.sec.gov>.

Agenda Item 3. Other Business

At the meeting, we will report on our business and you will have the opportunity to ask questions.

We know of no other business for the meeting. In the event other matters are presented for a vote at the Meeting, the proxy holders will vote your shares in their discretion.

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#### Voting At The Annual Meeting

##### Who may vote

If you were a shareholder of First Bancorp as of the close of business on March 24, 1999, you are entitled to vote at the meeting.

##### Voting by proxy

You do not have to attend the meeting. You may vote your shares by proxy if you wish. You may mark the enclosed proxy card to indicate your vote on the matters presented at the meeting, and the individuals whose names appear on the proxy card will vote your shares as you instruct.

If you submit a proxy with no instructions, the named proxy holders will vote your shares voted in favor of the nominees for directors and in favor of the proposed reorganization. In addition, the named proxy holders will vote in their discretion on such other matters that may be considered at the shareholders' meeting. The Board of Directors has named Dorothy Benson and Kay Gichard as the proxy holders. Their names appear on the proxy form accompanying this proxy statement. You may name another person to act as your proxy if you wish, but it is not necessary to do so.

##### Revoking a proxy

You may revoke your proxy at any time before the vote is taken at the meeting. You may revoke your proxy by submitting a proxy bearing a later date or by notifying the secretary of First Bancorp (personally in writing or by mail) of your wish to revoke your proxy. You may also revoke your proxy by oral request if you are present at the meeting.

You may still attend the meeting even if you have submitted a proxy. You should be aware that simply attending the meeting will not, of itself, revoke a proxy.

Please complete, date, and sign the accompanying proxy and return it promptly to us in the enclosed, postage-paid envelope, even if you plan to attend the meeting.

##### Number of shares that may vote

The authorized capital stock of First Bancorp consists of one million shares of common stock. As of March 24, 1999, there were 208,275 shares of common stock issued and outstanding and entitled to vote at the meeting.

##### How we determine a quorum

Shareholders holding at least a majority of the outstanding shares of common stock must either attend the meeting or submit proxies to have a quorum. If you come to the meeting or submit a proxy, but you abstain from voting on a given matter, we will still count your shares as present for determining a quorum.

##### How we count votes

The named proxies will vote your shares as you instruct on your proxy. We will not count abstentions or broker non-votes for or against a matter submitted to a vote of shareholders. Each share is entitled to one vote.

A broker non-vote occurs when a broker or other nominee holder, such as a bank, submits a proxy representing shares that another person actually owns, and that person has not given voting instructions to the broker or other nominee. On some matters, such as the election of directors, a broker

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or other nominee can vote those shares without instructions from the beneficial owner. On other matters, such as the proposed reorganization, a broker may only vote those shares if the beneficial owner gives the broker voting instructions. We will count broker non-votes as present for

establishing a quorum.

#### Counting votes in the election of directors

Directors are elected by a plurality of votes, which means that the nominees that receive the most votes will be elected, regardless of how many votes each nominee gets. You may not accumulate your votes in electing directors, but rather, you may vote the total number of shares that you own for each open director position.

#### Counting votes for the reorganization

To approve the reorganization, shareholders holding at least a majority of the outstanding shares of common stock must vote in favor of the proposal. Therefore, we will count abstentions and broker non-votes as votes against the proposal.

What if I do not mark my proxy?

If you submit a signed proxy without giving voting instructions, the named proxies will vote your shares in their discretion. Those individuals named on the enclosed proxy form intend to vote for the Board of Directors' nominees for director and in favor of the proposed reorganization. If you do not sign your proxy, we will not count you as present for determining a quorum, and we will not count your votes.

How many shares do directors and officers own?

As of the Record Date, we had 210 shareholders of record. Directors and executive officers of First Bancorp beneficially owned 63,049 shares, of which all are entitled to vote. Those shares constitute 30.3 percent of the total shares outstanding and entitled to be voted at the meeting. We expect all directors, executive officers and principal shareholders to vote for the Board's nominees for directors, and in favor of the reorganization, although they are not obligated to do so.

What about shares I own in the Employee Stock Ownership Plan?

If you hold shares of common stock through your participation in the Employee Stock Ownership Plan, you will be permitted to vote your shares by giving instructions to the plan trustees. The trustees will collect proxies or other voting instructions from plan participants and vote the plan's shares accordingly.

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#### Selected Historical and Pro Forma Condensed Financial Data

The following are unaudited selected historical and pro forma financial information for the year ended December 31, 1998. The pro forma amounts assume the Reorganization is accounted for as a treasury stock buy-back. You should read these along with the financial statements and notes thereto included in this proxy statement.

<TABLE>  
<CAPTION>

	As of and for the Year Ended December 31, 1998		
	First Bancorp	Adjustments (a)	Pro Forma
<S>	<C>	<C>	<C>
Cash and due from banks	\$ 9,783,427	\$ (3,250,000) (b)	\$ 6,533,427
Federal funds sold	9,391,000	-	9,391,000
Investment securities available for sale	100,960,973	-	100,960,973
Investment in Federal Home Loan Bank stock	2,896,900	-	2,896,900
Loans (net)	121,700,705	-	121,700,705
Premises and equipment (net)	5,796,522	-	5,796,522
Accrued interest receivable	1,756,967	-	1,756,967
Other assets	2,508,378	-	2,508,378
Total Assets	\$254,794,872	\$ (3,250,000) (b)	\$251,544,872
LIABILITIES & STOCKHOLDERS' EQUITY:			
Liabilities:			
Deposits:			
Demand	\$ 68,133,335	\$ -	\$ 68,133,335
Savings	48,846,681	-	48,846,681
Time deposits greater than \$100,000	60,814,472	-	60,814,472
Other time depositions	51,733,617	-	51,733,617

Total Deposits	\$229,528,105	\$	-	\$229,528,105
Federal Home Loan bank advances	-		-	-
Other borrowings	-	\$	1,994,225 (c)	\$ 1,994,225
Accrued interest payable	\$ 516,779		-	516,779
Other liabilities	1,557,627		-	1,557,627
	-----		-----	-----
Total Liabilities	\$231,602,511	\$	1,994,225 (c)	\$233,596,736
Stockholders' Equity:				
Common stock	\$ 1,070,200	\$	(178,660) (d)	\$ 891,540
Surplus	6,414,704		(1,070,530) (e)	5,344,174
Undivided profits	16,051,970		(4,523,560) (f)	11,528,410
Treasury stock (at cost)	(528,525)		528,525 (d)	-
Net unrealized gain on securities available for sale	184,012		-	184,012
	-----		-----	-----
Total Stockholders' Equity	\$ 23,192,361	\$	(5,244,225) (a)	\$ 17,948,136
	-----		-----	-----
Total Liabilities & Stockholders' Equity	\$254,794,872	\$	(3,250,000)	\$251,544,872
	-----		-----	-----
Total shares outstanding	214,040			178,308
Shares, net of treasury stock	208,275			178,308
Book value per share	\$ 111.35			\$ 100.66
Earnings per share, basic	\$ 11.12			\$ 13.04

</TABLE>

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- (a) Assumes the purchase of 29,967 shares for a total cash expenditure of \$5,224,225, which is management's best estimate. Actual costs could be as low as \$4,000,000 and as high as \$6,000,000.
- (b) Cash balance is net of purchase less borrowing.
- (c) The purchases of shares will be financed in part by borrowings from an unrelated institution totaling approximately \$1,994,225.
- (d) Common stock reduced by the par value of shares purchased and retirement of 5,765 treasury shares.
- (e) Surplus reduced by the proportionate amount based upon number of shares purchased.
- (f) Undivided profits reduced by the premium of purchase price in excess of book value.

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#### Information About Newco, Inc.

Newco was incorporated on January 7, 1999, solely for the purpose of effecting the reorganization. As of the date of this proxy statement, Newco has no assets, no operations and no stockholders and has not yet completed its corporate organization. Prior to the annual meeting, Newco will issue 100 shares of its common stock in exchange for 100 shares of First Bancorp common stock held by William G. Moran, Jr. At that time, Newco will file an election to be treated for income tax purposes as a Subchapter S corporation. Newco will acquire additional stockholders upon consummation of the merger with First Bancorp.

#### Information About First Bancorp, Inc.

##### General

First Bancorp, Inc. is a single-bank holding company located in Ketchikan, Alaska. The company was organized in 1989 as a holding company for First Bank, a state chartered, FDIC insured commercial bank. First Bank is the fifth largest commercial bank in Alaska, currently operating eight full-service branches in the boroughs of Ketchikan-Gateway, Sitka, Wrangell, Petersburg, Craig, and Juneau.

First Bank offers commercial banking products and services to small and medium size businesses, professionals and retail customers in the bank's market area in southeast Alaska. These products and services include commercial loans, accounts receivable and inventory financing, SBA loans for

equipment purchases and leasehold improvements, consumer installment loans, acceptance of deposits, and personal savings and checking accounts. Through third-party vendors, the bank offers credit life/credit health & accident insurance to its loan customers. No commissions or other compensation is paid to any officer for the sale of this insurance. Through a subsidiary, the bank acts as a title insurance agent.

The bank's deposit accounts are insured by the Federal Deposit Insurance Corporation. At December 31, 1998, First Bank had assets of \$255 million and deposits of \$230 million.

#### Industry

The commercial banking industry continues to undergo increased competition, consolidation and change. Non-insured financial service companies such as mutual funds, brokerage firms, insurance companies, mortgage companies and leasing companies are offering alternative investment opportunities for customers' funds or lending sources for their needs. Banks have been granted extended powers to better compete, including the limited right to sell insurance and securities products, but the percentage of financial transactions handled by commercial banks has dropped steadily. Although the amount of deposits in banks is remaining steady, such deposits represent less than 20% of household financial assets compared to over 35% twenty-five years ago. This trend represents a continuing shift to stocks, bonds, mutual funds and retirement accounts.

Nonetheless, commercial banks are reducing costs by consolidation and exploring alternative ways of providing bank products. Although new community banks continue to be organized, bank mergers substantially outstrip formations. In the last dozen years, the number of commercial banks has dropped from 14,000 to 9,500, and this trend is expected to continue.

To more effectively and efficiently deliver its products, banks are opening in-store branches, installing more ATMs and investing in technology to permit telephone, personal computer and internet banking. While all banks are experiencing the effects of the changing environment, the manner in which banks choose to compete is increasing the gap between larger super-regional

banks, committed to becoming national or regional "brand names" providing a broad selection of products at low cost and with advanced technology, and community banks which provide most of the same products but with a commitment to personal service and with local ties to the customers and communities they serve.

#### Competition

First Bancorp competes with a full range of modern financial institutions from commercial banks and thrifts to credit unions, brokerage outfits, and insurance companies.

The primary commercial banking competition is the National Bank of Alaska, the First National Bank of Anchorage, and Key Bank. These organizations are all significantly larger than First Bancorp and have extensive operations in other parts of the state. Key Bank also has a strong national presence. These competitors can conduct wide-ranging advertising campaigns and allocate assets to much broader geographic regions. By virtue of their greater capitalization, these banks also have substantially higher lending limits. These organizations are also financially capable of offering a variety of products from trust services to international banking that First Bancorp is not prepared to offer.

In addition to commercial banks, First Bancorp competes with a number of credit unions operating in its market area. In general, these credit unions tend to be smaller than the commercial banks. However, credit unions continue to prosper in southeast Alaska as a result of their favorable cost structure and traditional appeal to a broad section of the population. Nationwide, surveys indicate that credit unions attract a higher percentage of high income, well-educated professional customers than their traditional blue-collar roots would imply. Recent legislation at the national level has liberalized membership rules. As a result, credit union membership is now available to virtually anyone living in southeast Alaska. Credit unions offer many of the same consumer financial products that First Bancorp offers. These include a full range of consumer loan and deposit products.

Alaska Federal Savings Bank is the only savings bank operating in southeast Alaska. It currently operates branches in Juneau, Sitka, Wrangell and Ketchikan. In recent years the laws and regulations affecting savings banks have been liberalized. As a result, savings banks currently offer their customers essentially the same products available at a commercial bank.



In addition to the traditional competitive financial institutions, the development of alternative financial products and delivery systems such as internet banking, has disrupted banking's traditional control over the payments system and expanded the level of competition for financial services in southeast Alaska. At the same time, deposit disintermediation is a problem in both the consumer and commercial deposit sectors. Interest rates on demand and time deposits remain at relatively low levels while the bull market for stocks has continued to advance. This has encouraged an outflow of funds from traditional deposit products to alternative investment vehicles such as mutual funds.

#### Properties

First Bancorp's principal office is located at the main office of First Bank in Ketchikan, Alaska. We conduct business through eight full-service branches located in Ketchikan (2), Craig, Petersburg, Sitka, Wrangell, and Juneau (2). The Totem Branch in Ketchikan, as well as the Petersburg, Wrangell and the Mendenhall Branch in Juneau have drive-up windows. We have nine automated teller machines, of which five are located at branches in Ketchikan (2), Petersburg and Juneau (2). We own all but four branches. We have options to extend existing leases on the leased facilities. The eight branches range in size from approximately 1,000 square feet to slightly more than 15,000 square feet.

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#### Employees

As of December 31, 1998, we had a total of 106 full-time equivalent employees. None of the employees are subject to a collective bargaining agreement. We consider our relationship with our employees to be good.

#### Legal Proceedings

We are, from time to time, a party to various legal actions arising in the normal course of business. We are not currently a party to any pending legal proceeding, which, if determined adversely, would have a material effect on our business or financial position.

#### Year 2000 Readiness

First Bank has two primary objectives driving our Year 2000 compliance efforts:

- (1) Compliance - to satisfy bank examiners using guidelines established by the Federal Finance Institutions Examinations Council (FFIEC) and
- (2) Self-assurance - to meet our responsibility to our customers to make every effort possible to ensure our systems continue to function during the millennium date change and beyond.

First Bank has undergone two on-site Federal Deposit Insurance Corporation audits as well as interim audits by telephone. This has involved nearly all embedded systems, computer software applications, and network systems. These examinations assist us in determining our progress toward compliance. During 1999, we will be putting more and more emphasis on the self-assurance portion of the objectives as compliance goals are met.

A Year 2000 Task Force was designated by the Board of Directors consisting of Information Systems Manager E. Michael Youngblood as Chairman and includes senior department managers. Individual task force members focus their attentions on various areas regarding Year 2000 issues. The Systems department conducted an in depth review of all computer and software currently in use. These systems and applications were cataloged and prioritized with "Mission Critical" systems receiving top priority for compliance testing. A full time technical position was created to identify, track, monitor, and test (or assist in testing) the various systems. The primary Mission Critical software packages in use by the bank for core processing are Year 2000 compliant, as certified by their vendors. While having this certification is beneficial, the bank is still obligated to test these packages for Year 2000 compliance, and is in the process of doing so. Moreover, these certifications would only at best serve as a basis for a legal claim for damages in the event of software failure at the turn of the year.

We have conducted a review of peripheral equipment, security systems, telephone systems, and building heating and cooling systems for all branch locations. We have paid close attention to the task of internal and external communications, including communicating with and training bank staff as well as customer communications through general publications or response to direct inquiries. Our senior lending officer is coordinating risk assessment of our

large commercial borrowers and organized an interview process for each identified borrower.

First Bank's plan to address Year 2000 issues has been to follow the guidelines established by the Federal Financial Institutions Examination Council ("FFIEC"). FFIEC guidelines require the Bank to assess risks and analyze those systems, software and services provided by third-party vendors. The Bank's project plan addresses the five phases FFIEC has identified as critical to Year 2000 readiness. These phases are as follows:

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**Awareness** - This phase requires us to define the problem and set objectives, as well as establish a task force or committee to develop a strategic response to the problem. We have completed this phase.

**Assessment** - In this phase we assess the overall magnitude of the project, including identifying hardware and software that may be affected, evaluating the effects of Y2K on our strategic business plan, and formulating contingency plans. We have completed this phase.

**Renovation** - In this phase we perform upgrades to hardware and software that has been identified as critical. We also review our outside vendors for progress on meeting their Y2K compliance obligations. This phase is substantially completed.

**Validation** - This is the testing phase for all systems that have been evaluated and upgraded as necessary to ensure Y2K compliance. This phase is substantially completed, and we have not discovered any software that is not Y2K compliant. We expect to this phase to be completed by June 30, 1999.

**Implementation** - This is the final phase in which all systems, internal as well as those of outside vendors, are certified as Year 2000 compliant. We expect this phase to be completed by June 30, 1999.

The budget created for Year 2000 activities is projected at about \$150,000 over and above hardware and software that require replacement even without upgrading specifically to Year 2000 compliance. Direct expenses for compliance are accounted for but personnel time is not tracked separately for this project. First Bank is prepared to allocate additional resources should the need become apparent. Cost is not considered a limiting factor in achieving compliance. We have spent approximately \$50,000 on hardware, software and other costs directly attributable to achieving Year 2000 compliance.

The potential exposure to risk is discussed and reviewed at each Task Force meeting as well as during each report to the Board of Directors. With systems testing over 80% complete, the Task Force is reassured that it is meeting its deadlines and that testing methodology appears to be satisfactory. To date, no significant problems that would adversely affect processing have been found in mission critical information systems or in any non-information systems or embedded technology. The remaining testing will be done as hardware and software upgrades are received during 1999. Though these upgrades may claim compliance, testing will be conducted to meet our self-assurance objectives.

As a contingency, First Bank has established lines of credit with the Federal Reserve Bank of San Francisco, the Federal Home Loan Bank of Seattle, and with three commercial banks. First Bank has a contractual arrangement with a disaster recovery provider as an additional back-up. This provider has equipment similar to equipment used at the bank. We regularly rotate back-up tapes with them, and we have conducted at least one test with them to ensure that this is a satisfactory contingency arrangement. A schedule of additional system back-ups is being developed for implementation in advance of the date change. Customer communications will be of utmost importance in order to ease concerns our customers may have regarding Year 2000 readiness. The Year 2000 date change will not affect FDIC deposit insurance coverage.

Overall, no significant problems are anticipated in achieving Year 2000 compliance.

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## Capital Adequacy

Under FDIC and Federal Reserve regulations, we must maintain capital, expressed as a percentage of risk-weighted assets, at certain levels. See "Information about First Bancorp -- Supervision and Regulation." The table below shows our capital ratios as of December 31, 1998:

<TABLE>  
<CAPTION>

	First Bancorp -----	Regulatory Minimum -----	After Reorganization -----
<S>	<C>	<C>	<C>
Tier 1 risk-based capital ratio	16.51%	4.0%	12.75%
Total risk-based capital ratio	17.56%	8.0%	13.76%
Leverage capital ratio	8.83%	4.0%	7.06%

</TABLE>

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Average Balances and Average Rates Earned and Paid

The following table presents, for the periods indicated, information regarding average balances of assets and liabilities, the total dollar amounts of interest income from average interest-earning assets and interest expense on interest-bearing liabilities, the average interest yields earned or rates paid, net interest income, net interest spread (the difference between the average yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities), and the ratio of net interest income to average earning assets. The table does not reflect any effect of income taxes. All average balances are based on quarter end balances and all numbers are in thousands.

<TABLE>  
<CAPTION>

	Year ended December 31, 1997 -----			Year ended December 31, 1998 -----		
	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
-----						
ASSETS						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest bearing bal due from banks	\$ 8,425	\$ 69	0.82%	\$ 8,779	\$ 70	0.80%
Investment securities - taxable	106,059	6,511	6.14%	99,583	6,146	6.17%
Investment securities - tax exempt	1,014	67	6.61%	1,863	106	5.69%
Federal funds sold	7,625	478	6.27%	10,797	550	5.09%
Loans (net including fees)	102,983	11,466	11.13%	116,919	13,088	11.19%
	-----	-----	-----	-----	-----	-----
Total Earning Assets	\$ 226,106	\$ 18,591	8.22%	\$ 237,941	\$ 19,960	8.39%
Cash and non interest balances due from banks	311			300		
Fixed assets	5,848			5,938		
Other real estate owned	65			236		
Intangible assets	217			483		
Other assets	3,419			2,887		
	-----			-----		
Total assets	\$ 235,966			\$ 247,785		
=====						
LIABILITIES & STOCKHOLDERS' EQUITY						
Liabilities:						
Deposits:						
Checking	\$ 63,450	\$ 953	1.50%	\$ 65,908	\$ 933	1.42%
Savings	48,176	1,723	3.58%	46,939	1,633	3.48%
Time deposits	99,934	5,422	5.43%	110,959	5,917	5.33%
Federal funds purchased	-	-	-	-	-	-
Federal Home Loan Bank advances	2,500	136	5.44%	251	37	14.74%
	-----	-----	-----	-----	-----	-----
Total interest bearing liabilities	214,060	8,234	3.85%	224,057	8,520	3.80%
Other Liabilities	1,023			1,064		
	-----			-----		
Total liabilities	215,083			225,121		
Stockholders' Equity:						
Common stock	1,070			1,070		
Surplus	6,415			6,415		
Treasury stock	(461)			(513)		
Unrealized gain (loss) on securities	(383)			78		
Undivided profits	14,241			15,614		
	-----			-----		
Total Capital	20,882			22,664		
Total Liabilities & Stockholders' Equity	\$ 235,965			\$ 247,785		
=====						

Net interest income	\$ 10,357		\$ 11,440
Net interest spread		4.37%	4.59%
Net interest income to earning assets		4.58%	4.81%

</TABLE>

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#### Lending and Credit Management

Although a risk of nonpayment exists with respect to all loans, certain specific types of risks are associated with different types of loans. Due to the nature of our customer base, real estate is frequently a material component of collateral for the loan portfolio. The expected source of repayment of these loans is generally the operations of the borrower's business or personal income, but real estate provides an additional measure of security. Risks associated with real estate loans include fluctuating land values, local economic conditions, changes in tax policies, and a concentration of loans within a limited geographic market area.

We mitigate risk on construction loans by generally lending funds to customers that have been pre-qualified for long term financing and who are using contractors acceptable to us. The commercial real estate risk is further mitigated by making the majority of commercial real estate loans on owner-occupied properties.

We manage the general risks inherent in the loan portfolio by following loan policies and underwriting practices designed to result in prudent lending activities. For example, we generally limit commercial loans to 70% of the value of the collateral, and residential mortgages, which may be first or second liens, to 80% of the value of the collateral.

#### Loan Portfolio

Interest earned on the loan portfolio is a major source of income. Net loans represented 47.8% of total assets as of December 31, 1998. Although we strive to serve the credit needs of our service area, our primary focus is on real estate and commercial loans. We make substantially all of our loans to customers located within our service area. We have no loans defined as highly leveraged transactions by the Federal Reserve Bank. We have no significant agricultural loans.

Commercial real estate loans primarily include owner-occupied commercial properties occupied by the proprietor of the business conducted on the premises, and income-producing properties. The primary risks of such loans include loss of income of the owner or occupier of the property and the inability of the market to sustain rent levels. Our underwriting standards attempt to mitigate these risks by requiring a minimum of three consecutive years of sufficient income generation from the owner or occupier. In addition, a 70% loan-to-value ratio limitation is expected to provide sufficient protection against unforeseen circumstances.

Other commercial loans include renewable operating lines of credit, short-term notes, and equipment financing. These types of loans are principally at risk due to insufficient business income. Accordingly, we do not lend to start-up businesses or others lacking operating history, and require personal guarantees and secondary sources of repayment.

Residential real estate loans include 1-4 family owner- or non-owner occupied residences, multi-family units, construction and secondary market loans pending sale. Generally, the risk associated with such loans is the loss of the borrower's income. We attempt to mitigate the risk by thorough review of the borrower's credit and employment history, and limit the loan-to-value ratio to 80% to provide protection in the event of foreclosure. Installment loans consist of personal, automobile or home equity loans. We also offer credit cards to our customers. These unsecured loans carry significantly higher interest rates than secured loans, which allows us to maintain a higher loss reserve in conjunction with maintaining strict credit guidelines when considering loan applications. The following table presents the composition of the loan portfolio, at the dates indicated:

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	12/31/98	12/31/97
	-----	-----
Mortgage	\$ 8,653,771	\$ 3,592,629
Commercial	\$ 82,214,463	\$ 73,870,604
Consumer	\$ 32,906,260	\$ 30,102,197

Gross loans	\$ 123,774,494	\$ 107,565,430
Less: Unamortized loan origination fees	\$ (652,437)	\$ (636,525)
Total loans	\$ 123,122,057	\$ 106,928,905

The following table sets forth the maturity distribution and sensitivity to changes in interest rates of the loan portfolio at December 31, 1998:

<TABLE>  
<CAPTION>

	Within one year	One to five years	After five years	Total
<S>	<C>	<C>	<C>	<C>
Mortgage	\$ 308,425	\$ 239,647	\$ 8,105,699	\$ 8,653,771
Commercial	12,741,996	36,676,253	32,796,214	82,214,463
Consumer	6,306,945	25,247,132	1,352,183	32,906,260
Total loans	\$ 19,357,366	\$ 62,163,032	\$ 42,254,096	\$123,774,494
Loans at fixed interest rates	12,175,411	51,905,009	10,510,198	74,590,618
Loans at variable interest rates	7,181,955	10,258,023	31,743,898	49,183,876
Total loans	\$ 19,357,366	\$ 62,163,032	\$ 42,254,096	\$123,774,494

</TABLE>

The following table presents information with respect to non-performing assets:

	December 31,	
	1998	1997
Loans on non-accrual status	\$ --	\$ --
Loan past due > 90 days	\$265,561	\$ 29,973
Other real estate owned	\$222,123	\$259,664
Percentage of non performing assets to total assets	0.19%	0.12%
Restructured loans	\$ 56,005	\$ 56,005

Interest income that would have been realized on non-accrual or past-due loans if they had remained current was insignificant.

#### Allocation of Reserve for Loan Losses

The allowance for loan losses is a general reserve established by management to absorb unidentified losses in the loan portfolio. In determining the adequacy of the allowance, management evaluates the prevailing economic conditions, results of regular examinations and evaluations of the quality of the loan portfolio by external parties, actual loan loss experience, the extent of existing risks in the loan portfolio and other factors. The allowance for impaired loans is based on discounted cash flows using the loans' initial interest rates, or, if the loan is secured, the fair value of the collateral.

Future additions to the allowance may be necessary based on changes in economic conditions and other factors used in evaluating the loan portfolio. Additionally, various regulatory agencies, as an integral part of their

examination process, periodically review the allowance. Such agencies may require the recognition of additions to the reserve based on their judgment of information available to them at the time of their examination.

The following is a summary of the allowance for loan losses as of December 31:

	1998	1997	1996
Balance at beginning of year	\$ 1,293,512	\$ 1,103,414	\$ 1,383,814
Recoveries of loans			

previously charged off	16,225	49,524	18,353
Provision charged to expense	252,000	232,000	215,750
Loans charged off	(140,385)	(91,426)	(514,503)
	-----	-----	-----
Balance at end of year	\$ 1,421,352	\$ 1,293,512	\$ 1,103,414
	=====	=====	=====

#### Loan Losses and Recoveries

The provision for loan losses charged to operating expense is based on loan loss experience and such factors that, in management's judgment, deserve recognition in estimating possible loan losses. Management monitors the loan portfolio to ensure that the reserve for loan losses is adequate to cover outstanding loans on non-accrual status and any current loans deemed to be in serious doubt of repayment according to each loan's repayment plan. The following table summarizes the reserve for loan losses, and charge-off and recovery activity:

	Year ended December 31,	
	1998	1997
Loans outstanding at end of period	\$ 123,122,057	\$ 106,928,905
Reserve balance, beginning of period	\$ 1,293,512	\$ 1,103,414
Recoveries	\$ 16,225	\$ 49,524
Loans charged off	\$ (140,385)	\$ (91,426)
Net loans charged off	\$ (124,160)	\$ (41,902)
Provision charged to expense	\$ 252,000	\$ 232,000
Reserve balance, end of period	\$ 1,421,352	\$ 1,293,512
	=====	=====

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#### Analysis of Net Interest Margin

The following table presents information regarding yields on interest-earning assets, expense on interest-bearing liabilities, and net yields (including loan placement fees) on interest-earning assets for the periods indicated. Averages shown are monthly averages.

<TABLE>  
<CAPTION>

Analysis for the years ended December 31, 1998 and 1997	1998	1997	Increase (Decrease)	Change
(amounts in thousands, except percentages)				
<S>	<C>	<C>	<C>	<C>
Average interest-earning assets	\$ 237,941	\$ 226,106	\$ 11,835	5.23%
Average interest-bearing liabilities	\$ 224,057	\$ 214,060	\$ 9,997	4.67%
Average yields earned	8.39%	8.22%	0.17%	2.07%
Average rates paid	3.80%	3.85%	-0.05%	-1.30%
Net interest spread (including loan placement fees)	4.59%	4.37%	0.22%	5.03%
Net interest income to average interest- earning assets	4.81%	4.58%	0.23%	5.02%

</TABLE>

#### Interest Sensitivity

Interest sensitivity relates to the effect of changing interest rates on net interest income. Interest-earning assets which have interest rates tied to an index, such as prime rate, or which mature in relatively short periods of time are considered interest-rate sensitive. Interest-bearing liabilities with interest rates that can be re-priced in a discretionary manner, or which mature in short periods of time, are also considered interest-rate sensitive. The differences between the amounts of interest-sensitive assets and interest-sensitive liabilities, measured at various time periods, are referred to as sensitivity gaps. As rates change, these gaps will cause either a beneficial or adverse effect on net interest income. A negative gap represents a beneficial effect on net interest income if rates were to fall and an adverse effect if rates were to rise. Conversely, a positive gap would have a beneficial effect on net interest income in a rising rate environment and a negative effect if rates fell.

Our policy with regard to interest rate risk is to organize the

components of the balance sheet in such fashion as to maintain net interest margin and stockholders' equity within the limits of volatility established from time to time by the Board of Directors.

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Estimated Maturity or Repricing  
Of Selected Balance Sheet Items  
At December 31, 1998

<TABLE>  
<CAPTION>

	Within one year	One to five years	Over five years	Total
Interest earning assets:				
<S>	<C>	<C>	<C>	<C>
Federal funds sold	\$ 9,391,000	\$ --	\$ --	\$ 9,391,000
Securities available for sale (at amortized cost) (1)	26,628,844	37,016,471	36,999,688	100,645,003
Other investments	2,905,157	--	--	2,905,157
Loans (2)	61,359,287	51,905,009	10,510,198	123,774,494
	-----	-----	-----	-----
Total interest earning assets	100,284,288	88,921,480	47,509,886	236,715,654
Reserve for unamortized loan fees	(652,437)	(652,437)	--	(1,421,352)
Reserve for loan losses	(1,421,352)	--	--	(1,421,352)
Unrealized gain on available for sale securities	307,714	--	--	307,714
Cash and due from banks	9,783,427	--	--	9,783,427
Other assets	10,061,866	--	--	10,061,866
	-----	-----	-----	-----
Total assets	\$ 118,363,506	\$ 88,921,480	\$ 47,509,886	\$ 254,794,872
	=====	=====	=====	=====
Interest bearing liabilities:				
Interest bearing demand accounts	\$ 39,337,775	\$ --	\$ --	\$ 39,337,775
Savings deposits	48,846,681	--	--	48,846,681
Time deposits	99,456,303	13,091,786	--	112,548,089
	-----	-----	-----	-----
Total interest bearing liabilities	187,640,759	13,091,786	--	200,732,545
Non-interest bearing demand accounts	28,795,560	--	--	28,795,560
Other liabilities	2,074,406	--	--	2,074,406
Stockholders' equity	23,192,361	--	--	23,192,361
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 241,703,086	\$ 13,091,786	\$ --	\$ 254,794,872
	=====	=====	=====	=====
Interest sensitivity gap	\$ (87,356,471)	\$ 75,829,694	\$ 47,509,886	
Cumulative interest sensitivity gap	\$ (87,356,471)	\$ (11,526,777)	\$ 35,983,109	
Cumulative interest sensitivity gap as a percentage of total assets	-34.29%	-4.52%	14.12%	

</TABLE>  
Notes:

- Within the one year category, includes \$1,845,223 in variable rate securities that mature in 1 - 5 years and \$8,783,913 in variable rate securities that mature over 5 years due to repricing
- Within the one year category, includes \$10,258,023 in variable rate loans that mature in 1 - 5 years and \$31,743,898 in variable rate loans that mature over 5 years due to repricing

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Investment Portfolio

The following table shows the amortized costs, estimated market values, unrealized gains and unrealized losses of the portfolio of investments as of December 31, 1997, and 1998:

<TABLE>

<CAPTION>

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Market value
1998:				
<S>	<C>	<C>	<C>	<C>
U.S. Government and federal agencies	\$ 54,763,462	\$ 438,739	\$ (24,211)	\$ 55,177,990
States and political subdivisions	1,707,699	85,846		1,793,545
Corporate securities	8,963,078	80,739	(338)	9,043,479
Mortgage-backed securities	33,796,314	110,906	(496,797)	33,410,423
Other debt securities	1,414,450	1,973		1,416,423
Federal National Mortgage Assn. Stock	8,257	110,856		119,113
Total securities	\$100,653,260	\$ 829,059	\$ (521,346)	\$100,960,973
1997:				
U.S. Government and federal agencies	\$ 77,447,591	\$ 379,646	\$ (6,562)	\$ 77,820,675
States and political subdivisions	1,846,350	23,220		1,869,570
Corporate securities	5,607,261	53,236	(2,819)	5,657,678
Mortgage-backed securities	27,053,534	128,857	(951,460)	26,230,931
Other debt securities	500,000			500,000
Federal National Mortgage Assn. Stock	6,727	76,519		83,246
Total securities	\$112,461,463	\$ 661,478	\$ (960,841)	\$112,162,100

</TABLE>

### Investment Portfolio Maturity Schedule

The following is a summary of the contractual maturities of investment securities classified as available for sale at December 31, 1998:

<TABLE>

<CAPTION>

Securities available for sale	Within one year	One to five years	Five to ten years	Due after ten years	Amortized cost	Market value
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Government and federal agencies	\$11,994,028	\$ 31,817,815	\$ 2,611,247	\$ 8,340,372	\$ 54,763,462	\$ 55,177,990
States and political subdivisions	293,871	191,779	1,222,049	-	1,707,699	1,793,545
Corporate securities	3,057,268	4,028,225	-	1,877,585	8,963,078	9,043,479
Mortgage-backed securities	154,541	2,823,875	5,544,331	25,273,567	33,796,314	33,410,423
Other debt securities	500,000	-	-	914,450	1,414,450	1,416,423
Total securities	\$15,999,708	\$ 38,861,694	\$ 9,377,627	\$ 36,405,974	\$100,645,003	\$100,841,860

</TABLE>

As of December 31, 1998, First Bank had no securities classified as "held to maturity".

### Deposit Liabilities

The following table sets forth the average deposit liabilities for the years ended:

	12/31/98	12/31/97
Demand	\$ 68,133,335	\$ 64,669,469
Savings	48,846,681	50,727,050
Time deposits greater than \$100,000	60,814,472	53,554,698
Time deposits less than \$100,000	51,733,617	50,720,931
Total deposits	\$ 229,528,105	\$ 219,672,148

As of December 31, 1998, time deposit maturities were as follows:

Remaining Time to Maturity	Time Deposits of \$100,000 or More	All Other Time Deposits
3 months or less	\$27,611,027	\$31,460,441
3 months to 12 months	28,056,872	12,327,963
1 year to 3 years	2,366,641	4,519,148



Greater than 3 years	2,779,932	3,426,065
	=====	=====
Total time deposits	\$60,814,472	\$51,733,617
	=====	=====

## Supervision and Regulation

## General

First Bancorp and First Bank are extensively regulated under federal and state law. These laws and regulations are intended to protect depositors, not stockholders. You should refer to the specific statutes and regulations for more information on the state and federal regulatory scheme. Our operations may be affected by legislative changes and by the policies of various regulatory authorities. Any change in applicable laws or regulations may have a material effect on our business and prospects. We cannot predict accurately as to the nature or the extent of the effects on its business and earnings that fiscal or monetary policies, economic control or new federal or state legislation may have in the future.

## First Bancorp

First Bancorp is a bank holding company within the meaning of the Bank Holding Company Act of 1956, and as such, it is subject to regulation, supervision and examination by the Federal Reserve. We are required to file annual reports with the Federal Reserve and to provide the Federal Reserve such additional information as the Federal Reserve may require.

The Bank Holding Company Act requires prior approval by the Federal Reserve for the acquisition by a bank holding company of direct or indirect ownership or control of more than five percent of the voting shares, or substantially all of the assets, of any bank or any bank holding company.

With certain exceptions, a bank holding company is prohibited from acquiring direct or indirect ownership or control of any company which is not a bank or bank holding company and from engaging directly or indirectly in any activity other than banking or of managing or controlling banks. The exceptions to this prohibition permit a bank holding company or its non-bank subsidiaries to engage in certain permitted activities, the more important of which are: operating a commercial finance company, engaging in mortgage banking operations, offering credit-related insurance, providing data processing services, and leasing real and personal property in connection with credit transactions.

First Bancorp is an "affiliate" of First Bank and is subject to the provisions of Section 23A of the Federal Reserve Act which set certain limits with respect to the amount of (1) loans or extensions of credit to, or investments in, the holding company by the bank, and (2) advances to third parties collateralized by the securities or obligations of the holding company.

## First Bank

First Bank, as a state-chartered bank with deposits insured by the FDIC that is not a member of the Federal Reserve System, is subject to the supervision and regulation of the Alaska Division of Banking and of the FDIC. These agencies may prohibit the bank from engaging in what they believe constitute unsafe or unsound banking practices.

The bank is required to submit periodic reports and is subject to supervision, examination and regulation by the FDIC. The Federal Deposit Insurance Act requires prior approval from the FDIC of any merger by or with a state-insured bank. The consumer lending activities of the bank are regulated by several particularly detailed laws and regulations which impose disclosure requirements, prohibit discrimination based on race, sex, age, marital status and other specified classifications and impose other restrictions on credit practices in general.

The bank is affected by the credit policies of monetary authorities, including the Federal Reserve System, which regulates the national supply of bank credit. Such regulation influences overall growth of bank loans, investments and deposits. The monetary policies of the Federal Reserve have

had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

## Dividends

The principal source of First Bancorp's cash revenues is dividends paid by First Bank. Under Alaska banking law, banks are subject to restrictions on the payment of cash dividends to their stockholders. A bank may not pay cash dividends if that payment would reduce the amount of its capital below that necessary to meet minimum regulatory capital requirements. First Bank has been paying regular dividends to stockholders, although no assurances can be given that dividends will continue to be paid.

In addition, the appropriate regulatory authorities are authorized to prohibit banks and bank holding companies from paying dividends that would constitute an unsafe or unsound banking practice. Neither First Bancorp nor First Bank is currently subject to any regulatory restrictions on their dividends other than those noted above.

## Capital adequacy

The federal bank regulatory agencies use capital adequacy guidelines in their examination and regulation of bank holding companies and banks. If the capital falls below the minimum levels established by these guidelines, the bank holding company or bank may be denied approval to acquire or establish additional banks or non-bank businesses or to open facilities.

## Effects of government monetary policy

The earnings and growth of our company, including existing and future activities, is affected not only by general economic conditions, but also by the fiscal and monetary policies of the federal government, particularly the Federal Reserve. The Federal Reserve can and does implement national monetary policy for such purposes as curbing inflation and combating recession, but its open market operations in U.S. government securities, control of the discount rate applicable to borrowings from the Federal Reserve, and establishment of reserve requirements against certain deposits, influence growth of bank loans, investments and deposits, and also affect interest rates charged on loans or paid on deposits. We cannot predict accurately the nature and impact of future changes in monetary policies on our company.

## Changing regulatory structure of the banking industry

The laws and regulations affecting banks and bank holding companies are currently undergoing significant changes. Bills are now pending or expected to be introduced in the United States Congress that contain proposals for altering the structure, regulation, and competitive relationships of the nation's financial institutions. If enacted into law, these bills could have the effect of increasing or decreasing the cost of doing business, limiting or expanding permissible activities (including activities in the insurance and securities fields), or affecting the competitive balance among banks, savings associations, and other financial institutions. Some of these bills would reduce the extent of federal deposit insurance, broaden the powers or the geographical range of operations of bank holding companies, modify interstate branching restrictions applicable to national banks, regulate bank involvement in derivative securities activities, and realign the structure and jurisdiction of various financial institution regulatory agencies.

## Description of Capital Stock

Generally, the rights of stockholders of First Bancorp will not be affected by the reorganization. As discussed below, certain restrictions will apply to the transfer of First Bancorp common stock after the reorganization that do not currently apply to First Bancorp common stock.

The Certificate of Incorporation authorizes one class of capital stock consisting of one million shares of common stock, \$5.00 par value per share. Stockholders do not have preemptive rights to acquire additional shares of stock. Each outstanding share of common stock has the same relative rights and preferences as each other share of common stock, including the rights to the net assets of the company upon liquidation.

The Board of Directors is authorized to issue or sell additional capital stock, at its discretion and for fair value, and to issue future cash or stock dividends, without prior shareholder approval. As of the date of this proxy statement, there were 208,275 shares of First Bancorp common stock outstanding.

Shares of the common stock have unlimited voting rights. Each share of common stock is entitled to one vote on matters considered by the stockholders. Stockholders may not accumulate votes in the election of directors.

Certain provisions of the Certificate of Incorporation can only be amended or repealed if the shareholders, by the affirmative vote of at least two-thirds of the outstanding shares, approve such action. These provisions relate to matters concerning the Board of Directors, including removal of directors, limitation of liability of directors, and indemnification of directors, officers, employees and agents. The restriction on transfer described below is also subject to a super-majority, two-thirds vote to amend or repeal.

Dividends are paid in the discretion of the Board of Directors. See "Market for the Common Stock."

#### Limitation of liability and indemnification

The General Corporation Law of the State of Delaware permits a corporation's Certificate of Incorporation to limit the liability of directors and indemnification of directors and officers under certain circumstances. The Certificate of Incorporation provides that directors are not personally liable to the corporation or its stockholders for monetary damages for conduct as a director, except for (i) any breach of a director's duty of loyalty to the corporation, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) any distribution to shareholders which is unlawful, or (iv) any transaction from which the director received an improper personal benefit.

The Certificate of Incorporation also provides for indemnification of any person who is or was a party, or is threatened to be made a party, to any civil, administrative or criminal proceeding because the person is or was a director or officer of the company or any of its subsidiaries, or is or was serving at the request of the company as a director, officer, partner, agent or employee of another corporation. The company will indemnify such person against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by that person.

Indemnification is available if:

- o the person acted in good faith and in a manner reasonably believed to not be opposed to the best interests of the company, or

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- o the act or omission giving rise to such action or proceeding is ratified, adopted or confirmed by the company, or the company received the benefit of such actions.

Indemnification is available under this provision of the Certificate of Incorporation in the case of derivative actions, unless the person is adjudged to be liable for gross negligence or deliberate misconduct in the performance of the person's duty to the company.

To the extent a director, officer, employee or agent (including an attorney) is successful on the merits or otherwise in defense of any action to which this provision is applicable, the person is entitled to indemnification for expenses actually and reasonably incurred by the person in connection with that defense.

Even if indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or other controlling persons pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

#### Anti-takeover provisions

The Certificate of Incorporation contains provisions that could make more difficult the acquisition of the company by means of a tender offer, proxy contest, merger or otherwise.

These provisions

- o permit the Board of Directors to issue additional stock or options without shareholder approval, which could dilute the voting power of a potential acquiror
- o establish staggered terms for director positions filled each year
- o permit removal of a director only for cause

"Cause" is defined as:

- o a breach of the director's duty of loyalty to the corporation,

- o acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law,
- o an unlawful distribution under provisions of the General Corporation Law of the State of Delaware, or other applicable law, or
- o a transaction from which the director received an improper personal benefit.

These provisions may make it costly or difficult for someone to acquire control, and more difficult for a dissident shareholder to remove the entire board of directors at one time.

#### Restrictions on transfer

Following the reorganization, the transfer of shares will be restricted if the transfer would cause the corporation to be disqualified for income tax treatment as a small business corporation under Subchapter S of the Internal Revenue Code.

#### Certain Legal Matters

The validity of Newco common stock to be issued in the reorganization will be passed upon for Newco by Foster Pepper & Shefelman LLP, Portland, Oregon.

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#### Experts

The consolidated financial statements of First Bancorp, Inc. and subsidiary as of December 31, 1998 and 1997, and for each of the years in the three-year period ended December 31, 1998, included in this proxy statement and in the registration statement have been included in reliance upon the reports of KPMG LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of that firm as experts in accounting and auditing.

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#### Appendix A

##### Agreement and Plan of Reorganization

This Agreement and Plan of Reorganization (the "Agreement") is entered into as of this March 15, 1999, by and among First Bancorp, Inc. (the "Company"), a Delaware corporation with its principal office at 331 Dock Street, Ketchikan, Alaska, and Newco Alaska, Inc. ("Newco"), a Delaware corporation with its principal office at 331 Dock Street, Ketchikan, Alaska.

##### Recitals

A. The Company is a registered bank holding company, and is the sole stockholder of First Bank (the "Bank"), an Alaska state bank.

B. The Board of Directors of the Company has determined that it would be in the best interests of the Company, its stockholders, its customers and those of the Bank to effect a merger with and into Newco, with Newco to be the surviving corporation.

C. The respective Boards of Directors of the Company and Newco have agreed to cause the Merger pursuant to the provisions of section 251 of Title 8 of the General Corporation Law of the State of Delaware.

D. The parties intend that the resulting corporation be eligible for treatment for income tax purposes pursuant to the provisions of Subchapter S of the Internal Revenue Code of 1986, as amended (the "Code").

##### Agreement

In consideration of the mutual covenants herein contained, the parties hereby agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the definitions given:

1.1 "Director" means the Director of the Alaska Department of Commerce and Economic Development or his designee.

1.2 "Effective Date" is the date upon which the Merger becomes

effective by filing of a Certificate of Merger with the Secretary of State of the State of Delaware.

1.3 "Effective Time" is the time at which the Merger becomes effective as indicated by the filing stamp of the Secretary of State on the Certificate of Merger.

1.4 "Eligible Stockholder" means a Company stockholder of record as of the Effective Date who is eligible to be a stockholder of a corporation taxed pursuant to Subchapter S of the Code, and who either:

- o holds, as of the Effective Date, at least 750 shares of Company common stock, or
- o is a director of the Company.

1.5 "Federal Reserve" means the Board of Governors of the Federal Reserve System, or the Federal Reserve Bank of San Francisco acting upon authority delegated by the Board of Governors.

1.6 "Merger" means the merger of the Company into Newco on the Effective Date in accordance with this Agreement and the Certificate of Merger.

1.7 "Surviving Corporation" means Newco Alaska, Inc. as the corporation surviving the Merger under the name "First Bancorp, Inc."

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2. Merger; Transactions Pursuant to the Agreement; Effect of the Merger. Upon performance of all of the covenants of the parties hereto and fulfillment or waiver of all of the conditions contained herein

2.1 On the Effective Date, the Company shall be merged with and into Newco on the terms and conditions set forth in this Agreement. A Certificate of Merger, executed by the Surviving Corporation in accordance with Title 8, section 252(c) of the General Corporation Law of the State of Delaware, shall be filed with the Secretary of State of the State of Delaware to effect the Merger.

2.2 On the Effective Date, each share of stock of the Company shall be cancelled and immediately converted into the right to receive, subject to the terms, conditions and limitations set forth herein, the consideration as provided in sections 2.4 and 2.5 hereof (the "Merger Consideration").

2.3 On and after the Effective Date, each share of Newco common stock outstanding immediately prior to the Effective Date shall be automatically converted into one share of common stock of the Surviving Corporation.

2.4 Subject to the terms, conditions and limitations set forth herein, on the Effective Date, each Eligible Stockholder shall be entitled to receive one newly issued share of common stock of the Surviving Corporation in exchange for each share of Company common stock held of record as of the Effective Date.

2.5 Only Company stockholders who are Eligible Stockholders will be entitled to receive shares of common stock of the Surviving Corporation. The Surviving Corporation will pay to each Company stockholder of record as of the Effective Date who is not an Eligible Stockholder, cash at the rate of \$175.00 per share of Company common stock. At the sole discretion of the board of directors of the Surviving Corporation, Company stockholders who are otherwise Eligible Shareholders may tender all, but not less than all, of their shares of Company stock to the Surviving Corporation in exchange for cash at the rate of \$175.00 per share, it being understood that, sufficient funds permitting, such shares will be purchased from those stockholders holding the fewest shares first.

2.6 Notwithstanding anything to the contrary herein, each Company stockholder who has timely and properly perfected his or her right to dissent from the Merger pursuant to the applicable laws of the State of Delaware ("Appraisal Laws"), and has not effectively withdrawn or forfeited his or her right to dissent under the Appraisal Laws, shall not be entitled to receive the Merger Consideration, but rather such dissenting stockholder shall be entitled only to such rights as are granted by the Appraisal Laws.

2.7 At the Effective Time, the corporate existence of the Company shall, as provided by Delaware law, be merged into and continued

in the Surviving Corporation (formerly named Newco Alaska, Inc.) and the separate existence of the Company shall terminate.

2.8 At the Effective Time, all right, title and interest of the Company in and to all of the business, properties (tangible and intangible), goodwill, rights, choses in action and other assets of the Company shall be vested in the Surviving Corporation by virtue of such Merger without any deed or other instrument of transfer, whether or not reflected on the balance sheets, books of accounts, or records of the Company or Newco, and the Surviving Corporation, without any order or action on the part of any court or otherwise, shall hold and enjoy all such assets in the same manner and to the same extent as such assets were held or enjoyed by the Company prior to the Effective Time.

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2.9 At the Effective Time, the Surviving Corporation shall be liable for all debts, obligations, contracts and other liabilities, of the Company, matured or unmatured, whether accrued, absolute, contingent or otherwise, and whether or not reflected or reserved against on balance sheets, books of accounts, or records of the Company or Newco, and shall not be released or impaired by the Merger; and all rights of creditors and other obligees and all liens on property shall be preserved unimpaired.

2.10 The Certificate of Incorporation, as amended, of Newco in effect at and as of the Effective Time will be amended to change the name of the corporation to "First Bancorp, Inc.," and, as so amended, will be the Certificate of Incorporation of the Surviving Corporation in the Merger.

2.11 The Bylaws of Newco in effect at and as of the Effective Time will be the Bylaws of the Surviving Corporation in the Merger.

2.12 As of the Effective Time, the directors and officers of the Company in office at and as of the Effective Time shall become directors and officers of the Surviving Corporation with the respective positions and offices which they previously held in the Company, until such time as their successors are duly elected.

2.13 After the close of business on the Closing Date, transfers of shares of Company common stock outstanding prior to the Effective Time shall not be made on the stock transfer books of the Surviving Corporation.

### 3. Representations and Warranties.

3.1 Representations and Warranties of the Company. The Company represents and warrants to Newco as follows:

3.1.1 The Company is duly organized and validly existing and in good standing as a business corporation under the laws of its jurisdiction of incorporation, and the Bank is duly organized and validly existing and in good standing as a banking corporation under the laws of its jurisdiction of incorporation and each has all requisite corporate power and authority to own and operate its properties and assets, to lease properties used in its business, and to carry on its business as now conducted.

3.1.2 The Company has all requisite corporate power and authority to enter into and perform its obligations under this Agreement and the transactions contemplated hereby and to conduct its business in the manner now being conducted. Its activities do not require it to be qualified to do business in any foreign jurisdiction where the failure to so qualify would have a material adverse effect on its business, operations or financial condition.

3.1.3 The authorized capital stock of the Company consists of 1,000,000 shares of common stock, of which 208,275 shares are issued and outstanding as of the date hereof. Other than as described therein, no other stock options, warrants or rights to purchase or receive Company securities are outstanding.

3.1.4 None of the execution or delivery of this Agreement or the consummation of the transactions contemplated hereby will conflict with or result in the breach of any of the terms, conditions or provisions of the Certificate of Incorporation or Bylaws of the Company, or of any existing statute, regulation, order, writ, injunction or decree of any court or governmental agency, or of any contract, agreement or instrument to which it is a party or by which it is bound.

3.1.5 There are no actions, suits, proceedings, claims or governmental investigations pending or, to the knowledge of the Company, threatened against or affecting the Company before any court,

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administrative officer or agency, other governmental body or arbitration which might hinder or delay the consummation of the transactions contemplated by this Agreement.

3.1.6 No representation or warranty by the Company in this Agreement or in any statement, certificate or schedule furnished or to be furnished pursuant to this Agreement, including any information about the Company given with respect to preparation of the proxy statement for the meeting of the Company's stockholders, or in connection with the transactions contemplated by this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements therein or herein not false or misleading.

3.2 Representations and Warranties of Newco. Newco represents and warrants to the Company as follows:

3.2.1 Newco is, or prior to the effective date of the Merger will be, a corporation duly organized and validly existing under the laws of the State of Delaware and has all requisite corporate power and authority to enter into and perform this Agreement including all transactions contemplated hereby. There are currently no shares of capital stock issued and outstanding.

3.2.2 Newco has, or will have, prior to the Effective Date, issued not less than one share and not more than 200 shares of capital stock solely for the purpose of completing its corporate organization, and shall have, prior to the Effective Date, filed with the Internal Revenue Service an election under section 1362(a) of the Code to be treated for income taxes as a small business corporation under Subchapter S of the Code, it being understood that the parties intend such election to be effective for tax years after December 31, 1999.

3.2.3 There are no outstanding options, warrants, rights, contracts or commitments relating to the issuance of any shares of Newco stock other than commitments set forth or referred to herein.

3.2.4 Newco has had no material operations prior to this date. Other than the commitments as undertaken with respect to this Agreement and the transactions contemplated thereby, Newco has entered into no material outstanding contracts, agreements, leases and has incurred no obligations, contingent or otherwise, except with respect to costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby.

3.2.5 Consummation of the transactions contemplated by this Agreement will not conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Incorporation or Bylaws of Newco, or of any existing statute, regulation, order, writ, injunction, ruling or decree or any court or governmental agency, or of any contract or agreement or instrument to which it is a party or which it is bound.

3.2.6 On the Effective Date, or within a reasonable time thereafter, the shares of stock of the Surviving Corporation to be delivered to the stockholders of the Company pursuant to this Agreement will be, upon consummation of the transactions, validly issued, fully paid and non-assessable.

3.2.7 There are no actions, suits, proceedings, claims or governmental investigations pending or, to the knowledge of Newco, threatened against or affecting Newco before any court, administrative officer or agency, other governmental body or arbitration which might hinder or delay the consummation of the transactions contemplated by this Agreement.

3.2.8 No representation or warranty by Newco in this Agreement or in any statement, certificate or schedule furnished or to be furnished pursuant to this Agreement, including any information about

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Newco given with respect to preparation of the proxy statement for the meeting of the Company's stockholders, or in connection with the transactions contemplated by this Agreement, contains or will contain

any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements therein or herein not false or misleading.

#### 4. Covenants.

4.1 Covenants of the Company. In addition to any and all other covenants and undertakings of Newco as may be set forth in this Agreement, the Company covenants and agrees as follows:

4.1.1 The Company shall call a meeting of its stockholders for purposes of voting on the Merger and shall cooperate fully with Newco in obtaining all necessary federal and state regulatory approvals to effect the Merger.

4.1.2 The Company shall use its best efforts to effectuate the transactions contemplated hereby and to fulfill the conditions under this Agreement.

4.2 Covenants of Newco. In addition to any and all other covenants and undertakings of Newco as may be set forth in this Agreement, Newco covenants and agrees as follows:

4.2.1 Prior to the Effective Date, Newco will be authorized to issue such number of shares of common stock as may be needed to perform this Agreement and shall have obtained all necessary consents and permits to issue its stock to the stockholders of the Company as provided herein.

4.2.2 Newco shall call a meeting of its stockholders for purposes of voting on the Merger, or otherwise obtain the approval by unanimous written consent of its stockholders to effect the Merger, and shall cooperate fully with the Company in obtaining all necessary federal and state regulatory approvals to effect the Merger.

4.2.3 Newco shall promptly file a registration statement with the Securities and Exchange Commission to register the shares of its common stock to be issued in the Merger.

4.2.4 Newco shall use its best efforts to obtain a permit under Title 3 Chapter 2 of the Alaska Administrative Code to conduct business in the state of Alaska as a bank holding company.

4.2.5. Newco shall use its best efforts to obtain approval from the Federal Reserve for the transactions set forth herein under the Bank Holding Company Act of 1956, as amended.

4.2.6 On or after the Effective Date, as and when required by the provisions of this Agreement, Newco shall issue shares of its stock to Eligible Stockholders of the Company, and shall otherwise pay such merger consideration to Company stockholders in accordance with the provisions of this Agreement.

4.2.7 Newco shall use its best efforts to effectuate the transactions contemplated hereby and to fulfill the conditions under this Agreement.

#### 5. Conditions of Closing

5.1 Conditions to Obligations of the Company. The obligations of the Company under this Agreement to consummate the Merger, shall be subject to the satisfaction, on or before the Effective Date, of the following conditions (unless waived by the Company in writing and not required by law):

5.1.1 Approval of the Merger in accordance with law by holders of a majority of the shares entitled to vote on the Merger of each of Newco and the Company.

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5.1.2 The absence of any suit, action or proceeding (made or threatened) against Newco or the Company, or any of their directors or officers, seeking to challenge, restrain, enjoin, or otherwise affect this Agreement or the transactions contemplated hereby; seeking to restrict the rights of the parties or the operation of the business of the Company or Newco after consummation of the Merger; or seeking to subject the parties to this Agreement or any of their officers or directors to any liability, fine, forfeiture or penalty on the ground that the parties hereto or their directors or officers have violated or will violate their fiduciary duties to their respective stockholders or will violate any applicable law or regulation in connection with the transactions contemplated by this Agreement.



5.1.3 Receipt by Newco of approval from the Federal Reserve to become a bank holding company pursuant to Section 3(a)(1) of the Bank Holding Company Act of 1956, as amended, and to take the actions herein provided.

5.1.4 Receipt by Newco of a permit to do business as a bank holding company in the State of Alaska.

5.1.5 Procurement of all other consents and approvals, and satisfaction of all other requirements prescribed by law which are necessary or appropriate for consummation of the transaction.

5.1.6 Except as contemplated hereby, the representations and warranties of Newco being true at and as of the Effective Date as though such representations and warranties were made at and as of, such time period.

5.1.7 Newco having complied with all agreements, covenants and conditions on its part required by this Agreement to be performed or complied with prior to or at the Effective Date.

5.1.8 Between the date hereof and the Effective Date, the absence of any material adverse change in the business, assets, earnings, operation or condition (financial or otherwise) of Newco, except changes contemplated by this Agreement and such changes as may have been previously approved in writing by the Company.

5.1.9 Receipt by the Company of a certificate of the President of Newco dated as of the Effective Date, certifying the fulfillment of the conditions specified in Section 5.2 and such other matters with respect to the fulfillment by Newco of any of the conditions of this Agreement as the Company may reasonably request on reasonable prior notice.

5.2 Conditions to Obligations of Newco. The obligations of Newco under this Agreement to consummate the Merger, shall be subject to the satisfaction, on or before the Effective Date, of the following conditions (unless waived by Newco in writing and not required by law):

5.2.1 Approval of the Merger in accordance with law by holders of a majority of the shares entitled to vote on the Merger of each of Newco and the Company.

5.2.2 The absence of any suit, action or proceeding (made or threatened) against Newco or the Company, or any of their directors or officers, seeking to challenge, restrain, enjoin, or otherwise affect this Agreement or the transactions contemplated hereby; seeking to restrict the rights of the parties or the operation of the business of the Company or Newco after consummation of the Merger; or seeking to subject the parties to this Agreement or any of their officers or directors to any liability, fine, forfeiture or penalty on the ground that the parties hereto or their directors or officers have violated or will violate their fiduciary duties to their respective stockholders or will violate any applicable law or regulation in connection with the transactions contemplated by this Agreement.

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5.2.3 Approval having been received by Newco from the Federal Reserve to become a bank holding company pursuant to Section 3(a)(1) of the Bank Holding Company Act of 1956, as amended, and to take the actions herein provided.

5.2.4 Approval by the Director for Newco to conduct business as a bank holding company in the State of Alaska.

5.2.5 Procurement of all other consents and approvals, and satisfaction of all other requirements prescribed by law which are necessary or appropriate for consummation of the transaction.

5.2.6 Except as contemplated hereby, the representations and warranties of the Company being true at and as of the Effective Date as though such representations and warranties were made at and as of such time period.

5.2.7 The Company having complied with all agreements, covenants and conditions on their part required by this Agreement to be performed or complied with prior to or at the Effective Date.

5.2.8 Between the date hereof and the Effective Date, the absence of any material adverse change in the business, assets, earnings,

operations or condition (financial or otherwise) of the Company, except changes contemplated by this Agreement and such changes as may have been previously approved in writing by Newco.

5.2.9 Receipt by Newco of a certificate of the President of the Company dated as of the Effective Date, certifying the fulfillment of the conditions specified in Sections 5.1 above and such other matters with respect to the fulfillment by the Company of any of the conditions of this Agreement as Newco may reasonably request on reasonable prior notice.

## 6. Closing.

The transactions contemplated by this Agreement will close in the office of Foster Pepper & Shefelman LLP, Portland, Oregon, at such time and on such date within 31 days following the satisfaction of all conditions prior to closing set forth in Section 5 (not waived or to be satisfied by delivery of documents or a state of facts to exist at closing) , as set by notice from Newco to the Company or such other time and place as the parties may agree.

## 7. Termination.

7.1 Procedure for Termination. This Agreement may be terminated or amended at any time before the Effective Date:

7.1.1 By the mutual consent of the Boards of Directors of the Company and Newco.

7.1.2 By either party acting through its Board of Directors upon written notice to the other party, if there has been a material misrepresentation or material breach on the part of the other party in its representations, warranties and covenants set forth herein or if there has been any material failure on the part of the other party to comply with its obligations hereunder which misrepresentation, breach or failure is not cured within thirty (30) days notice to such other party of such misrepresentation, breach or failure.

7.1.3 By action of either party acting through its Board of Directors upon written notice to the other party if any of the conditions set forth in Section 5 have not been performed at or prior to December 31, 1999.

7.2 Effect of Termination. In the event this Agreement is terminated pursuant to Section 7.1, it shall become wholly void and of no further force and effect and there shall be no liability on the part of either party or its respective Boards of Directors as a result of such termination or abandonment,

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except as provided herein. Such termination shall not relieve any party of liability for any default prior to termination.

## 8. Miscellaneous Provisions.

8.1 Amendment or Modification. Prior to the Effective Date, this Agreement and the Certificate of Merger may be amended or modified, either before or after approval by the stockholders of the Company or of Newco, only by an agreement in writing executed by the parties hereto upon approval of their respective boards of directors. Notwithstanding the foregoing, no such amendment or modification shall reduce the amount or modify the form of consideration to be received by stockholders of the Company pursuant to this Agreement without the approval of the Company's stockholders.

8.2 Waivers and Extensions. Each of the parties hereto may, by an instrument in writing, extend the time for or waive the performance of any of the obligations of the other party hereto or waive compliance by the other party hereto of any of the covenants or conditions contained herein, except that no waiver of the required approval by stockholders of Newco and the Company of this Agreement, or any other condition otherwise required by law, shall be permitted. No such waiver or extension of time shall constitute a waiver of any subsequent or other performance or compliance. No such waiver shall require the approval of the stockholders of any party.

8.3 Expenses. Each of the parties hereto shall pay their respective expenses in connection with this Agreement and the transactions contemplated hereby.

8.4 Binding Effect, No Assignment. This Agreement and all the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder, shall be assigned by either party without the prior written consent of the other party.

8.5 Representations and Warranties. The respective representations and warranties of each party hereto contained herein shall not be deemed to be waived or otherwise affected by any investigation made by the other party and, shall not survive the closing hereof.

8.6 No Benefit to Third Parties. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person or entity, other than the parties hereto, any right or remedy under or by reason hereof.

8.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

8.8 Entire Agreement. This Agreement, including all of the exhibits hereto constitute the entire Agreement between the parties with respect to the Merger and other transactions contemplated hereby and supersedes all prior agreements and understandings between the parties with respect to such matters.

8.9 Headings. The article and section headings in this Agreement are for the convenience of the parties and shall not affect the interpretation of this Agreement.

8.10 Counterparts. At the convenience of the parties, this Agreement may be executed in counterparts, and each such executed counterpart shall be deemed to be an original instrument, but all such executed counterparts together shall constitute but one Agreement and Plan of Reorganization.

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IN WITNESS WHEREOF, the parties hereto, pursuant to the approval and authority duly given by resolutions adopted by a majority of their respective Board of Directors, have each caused this Agreement to be executed by its authorized officer.

The Company:

First Bancorp, Inc.

By: /s/ William G. Moran, Jr.

-----  
William G. Moran, Jr., President

Newco:

Newco Alaska, Inc.

By: /s/ William G. Moran, Jr.

-----  
William G. Moran, Jr., President

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#### Appendix B

#### Opinion of the Independent Investment Advisor

[ALEX SHESHUNOFF & CO. INVESTMENT BANKING LETTERHEAD]

January 29, 1999

Board of Directors  
First Bancorp, Inc.  
331 Dock Street  
Ketchikan, AK 99901

Members of the Board:

Alex Sheshunoff & Co. Investment Banking ("Sheshunoff") understands that the Board of Directors of First Bancorp, Inc. ("First Bancorp") has unanimously approved an Agreement and Plan of Reorganization (the "Agreement"), as a result of which First Bancorp will merge with a newly formed corporation (Newco), with Newco being the surviving corporation (the "Merger"), upon which Newco will change its name to First Bancorp, Inc. As

of the date of this writing, Newco was completing its corporate organization, and in this process, will elect S Corporation status under the Internal Revenue Code. In conjunction with the Merger, all shareholders with 750 shares or less will have their shares exchanged for cash in the amount of \$175.00 per share (the "Cash Amount"), through a cash for stock exchange. The remaining shareholders with more than 750 shares will be entitled to receive Newco common stock or, at the option of the Board of Directors, the Cash Amount. The pro-forma number of Newco shareholders, assuming no shareholders of First Bancorp common stock with more than 750 shares elects cash in lieu of Newco shares and all shareholders with less than 750 shares elects to accept the Cash Amount, will total 47.

You have requested Sheshunoff's opinion, as to whether the Cash Amount to be received by the holders of shares of First Bancorp common stock pursuant to the Agreement is fair from a financial point of view to such holders of First Bancorp Common Stock.

In connection with our opinion, Sheshunoff has, among other things:

1. Reviewed a draft copy of the Agreement;
2. Evaluated First Bancorp's consolidated results based upon a review of its annual financial statements for each of four-years ending December 31, 1998, 1997, 1996 and 1995;
3. Reviewed Call Report information as of December 1998 for First Bancorp;
4. Analyzed certain budget and financial projections of First Bancorp prepared by the management of First Bancorp;

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5. Conducted conversations with executive management regarding recent and projected financial performance of First Bancorp;
6. Compared First Bancorp's recent operating results with those of certain other banks in the Northwest region of the United States which have recently been acquired;
7. Compared First Bancorp's recent operating results with those of certain other banks in the United States which have recently been acquired;
8. Compared the pricing multiples for the Cash Amount in the Merger to those of certain other banks in the Northwest region of the United States which have recently been acquired;
9. Compared the pricing multiples for the Cash Amount in the Merger to those of certain other banks in the United States which have recently been acquired;
10. Analyzed the net present value of the after-tax cash flows First Bancorp could produce through the year 2003, based on assumptions provided by management; and,
11. Performed such other analyses as we deemed appropriate.

Sheshunoff has assumed and relied upon without independent verification the accuracy and completeness of the information supplied or otherwise made available to it by First Bancorp for the purposes of this opinion. Sheshunoff has not made an independent evaluation of the assets or liabilities of First Bancorp, nor has Sheshunoff been furnished with any such appraisals. With respect to First Bancorp budgets and financial forecasts, Sheshunoff has assumed that they have been reasonably prepared and reflect the best currently available estimates and judgments of management of First Bancorp, as to the future financial performance of First Bancorp, and Sheshunoff has assumed such forecasts and projections will be realized in the amounts and at the times contemplated thereby. Sheshunoff has assumed that obtaining any necessary regulatory approvals and third party consents for the Merger or otherwise will not have an adverse effect on First Bancorp, or Newco pursuant to the Agreement. Sheshunoff is not an expert in the evaluation of loan portfolios for the purpose of assessing the adequacy of the allowance for losses with respect thereto and has assumed that such allowances for each of the companies are in the aggregate, adequate to cover such losses. In addition, Sheshunoff has not reviewed any individual credit files or made an independent evaluation, appraisal or physical inspection of the assets or individual properties of First Bancorp, nor has Sheshunoff been furnished with any such evaluations or appraisals.

Sheshunoff's opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to it, as of

the date hereof. Events occurring after the date hereof could materially affect the assumptions used in preparing this opinion. Sheshunoff has also assumed that there are no material changes in First Bancorp's assets, financial condition, results of operations, business or prospects since the respective dates of their last financial statements reviewed by it, and that off-balance sheet activities of First Bancorp will not materially and adversely impact the future financial position or results of operation of First Bancorp. Sheshunoff has also assumed the Merger will be completed as set forth in the Agreement and that no material changes will be made or restrictions imposed by regulatory or other parties on the terms of the Agreement.

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Sheshunoff's opinion is limited to the fairness, from a financial point of view, to the holders of First Bancorp common stock of the Cash Amount and does not address First Bancorp's underlying business decision to undertake the Merger. Moreover, this letter, and the opinion expressed herein, does not constitute a recommendation to any stockholder as to any approval of the Merger or the Agreement. It is understood that this letter is for the information of the Board of Directors of First Bancorp and its shareholders and may not be used for any other purpose without Sheshunoff's prior written consent, except that this opinion may be included in its entirety in any filing made by First Bancorp with the Securities and Exchange Commission with respect to the Merger.

Sheshunoff has no past, present or contemplated interest in First Bancorp or any of its shares. Sheshunoff will receive a fee for providing this opinion. Sheshunoff's fee is not dependent on the Cash Amount. For the past two years, Sheshunoff provided an estimate of the value of minority shares of First Bancorp held by its Employee Stock Ownership Plan.

Based upon and subject to the foregoing, Sheshunoff is of the opinion that, as of the date hereof, the Cash Amount to be received by First Bancorp common stockholders is fair from a financial point of view to the holders of such shares.

Very truly yours,

ALEX SHESHUNOFF & CO.  
INVESTMENT BANKING

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#### Appendix C

##### General Corporation Law of the State of Delaware

###### s. 262. Appraisal rights.

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to s. 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of his shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to s. 251, 252, 254, 257, 258 or 263 of this title.

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock which, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or (i) held of record by more than 2,000 stockholders; and further provided that no appraisal rights shall

be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of s. 251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to s. 251, 252, 254, 257, 258 and 263 of this title to accept for such stock anything except:

- a. Shares of stock of the corporation surviving or resulting from such merger or consolidation;
- b. Shares of stock of any other corporation which at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 stockholders;
- c. Cash in lieu of fractional shares of the corporations described in the foregoing subparagraphs a. and b. of this paragraph; or
- d. Any combination of the shares of stock and cash in lieu of fractional shares described in the foregoing subparagraphs a, b. and c of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under s. 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate

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of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of his shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of his shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of his shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to s. 228 or 253 of this title, the surviving or resulting corporation, either before the effective date of the merger or consolidation or within 10 days thereafter, shall notify each of the stockholders entitled to appraisal rights of the effective date of the merger or consolidation and that appraisal rights are available for any or all of the shares of the constituent corporation, and shall include in such notice a copy of this section. The notice shall be sent by certified or registered mail, return receipt requested, addressed to the stockholder at his address as it appears on the records of the corporation.

Any stockholder entitled to appraisal rights may, within 20 days after

the date of mailing of the notice, demand in writing from the surviving or resulting corporation the appraisal of his shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of his shares.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw his demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after his written request for such

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a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted his certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that he is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of

shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal

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proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded his appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of his demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation. then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation. (8 Del. C. 1953, s. 262; 56 Del. Laws, c. 50; 56 Del. Laws, c. 186, s. 24; 57 Del. Laws, c. 148, s.s. 27-29; 59 Del. Laws, c 106, s. 12; 60 Del Laws c 371, s.s. 3-12; 63 Del. Laws, c. 25, s. 14; 63 Del. Laws, c 152, s.s. 1, 2; 64 Del. Laws, c. 112, s.s. 46-54; 66 Del. Laws, c. 136, s.s. 30-32; 66 Del Laws, c. 352, s. 9; 67 Del. Laws, c 376, s.s. 19, 20)

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Index To Consolidated Financial Statements

of

FIRST BANCORP, INC. and Subsidiary

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Independent Auditors' Report

The Board of Directors  
First Bancorp, Inc.:

We have audited the accompanying consolidated balance sheets of First Bancorp, Inc. and subsidiary as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Bancorp, Inc. and subsidiary as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ KPMG LLP

January 21, 1999  
Anchorage, Alaska

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FIRST BANCORP, INC.  
AND SUBSIDIARY  
Consolidated Balance Sheets  
December 31, 1998 and 1997

<TABLE>  
<CAPTION>

Assets	1998	1997
	-----	-----
<S>		
<C>	<C>	<C>
Cash and due from banks (note 2)	\$ 9,783,427	9,851,577
Federal funds sold	9,391,000	3,935,000
Investment securities available for sale (note 3)	100,960,973	112,162,100
Investment in Federal Home Loan Bank stock	2,896,900	2,683,000
Loans (note 4)	123,122,057	106,928,905
Less allowance for possible loan losses (note 5)	1,421,352	1,293,512
	-----	-----
Net loans	121,700,705	105,635,393
	-----	-----
Premises and equipment, net (note 6)	5,796,522	5,687,411
Accrued interest receivable	1,756,967	1,938,811
Other assets (note 8)	2,508,378	1,911,094
	-----	-----
Total assets	\$ 254,794,872	243,804,386
	=====	=====
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Demand	\$ 68,133,335	64,669,469
Savings	48,846,681	50,727,050
Time deposits of \$100,000 or more (note 7)	60,814,472	53,554,698
Other time deposits	51,733,617	50,720,931
	-----	-----

Total deposits	229,528,105	219,672,148
Federal Home Loan Bank advances (note 11)	--	1,000,000
Accrued interest payable	516,779	476,715
Other liabilities	1,557,627	1,050,977
Total liabilities	231,602,511	222,199,840
Stockholders' equity:		
Common stock of \$5 par value. Authorized 1,000,000 shares; issued and outstanding 214,040 shares in 1998 and 1997	1,070,200	1,070,200
Surplus	6,414,704	6,414,704
Undivided profits	16,051,970	14,774,999
Accumulated other comprehensive income - net unrealized gain on securities available for sale	184,012	(179,617)
Treasury stock, at cost (5,765 shares in 1998 and 5,306 shares in 1997)	(528,525)	(475,740)
Total stockholders' equity	23,192,361	21,604,546
Commitments and contingencies (notes 10, 11 and 15)		
Total liabilities and stockholders' equity	\$ 254,794,872	243,804,386

See accompanying notes to consolidated financial statements.  
</TABLE>

F-3

FIRST BANCORP, INC.  
AND SUBSIDIARY  
Consolidated Statements of Income  
Years ended December 31, 1998, 1997 and 1996

<TABLE>  
<CAPTION>

	1998	1997	1996
Interest income:			
<S>	<C>	<C>	<C>
Interest on loans	\$ 11,383,100	10,284,722	8,730,271
Interest on federal funds sold	550,272	478,661	533,819
Interest-bearing deposits in other banks	69,617	68,611	62,957
Interest on securities available for sale:			
Taxable (note 3)	6,146,080	6,510,753	6,699,638
Exempt from federal income taxes	106,482	66,936	117,335
Total interest income	18,255,551	17,409,683	16,144,020
Interest expense:			
Interest on deposits:			
Time deposits of \$100,000 or more	2,780,460	2,445,427	2,181,080
Other	5,689,568	5,612,024	5,264,338
Interest on federal funds purchased	12,969	40,288	59,835
Other interest	36,734	135,926	158,029
Total interest expense	8,519,731	8,233,665	7,663,282
Net interest income	9,735,820	9,176,018	8,480,738
Provision for loan losses (note 5)	252,000	232,000	215,750
Net interest income after provision for loan loss	9,483,820	8,944,018	8,264,988
Other operating income:			
Net realized gains on sales of securities available for sale (note 3)	73,149	225,240	17,422
Service charges on deposit accounts	645,722	637,960	676,087
Loan placement fees	1,704,721	1,181,208	1,108,479
Other	1,131,122	848,627	855,653
Total other operating income	3,554,714	2,893,035	2,657,641
Other operating expenses			
Salaries and employee benefits	5,558,140	5,174,585	5,025,104
Occupancy, net	618,077	640,190	669,492
Equipment	1,061,888	960,273	921,256
Federal Deposit Insurance Corporation assessments	15,610	25,365	8,264

Other	2,033,840	1,781,384	1,757,492
Total other operating expenses	9,287,555	8,581,797	8,381,608
Income before income taxes	3,750,979	3,255,256	2,541,021
Provision for income taxes (note 8)	1,432,235	1,065,956	790,311
Net income	\$ 2,318,744	2,189,300	1,750,710
Per share amounts - net income	\$ 11.12	\$ 10.48	\$ 8.29
Weighted average shares outstanding	\$ 208,460	208,980	209,986

</TABLE>

See accompanying notes to consolidated financial statements.

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FIRST BANCORP, INC.  
AND SUBSIDIARY  
Consolidated Statements of Changes in Stockholders' Equity  
and Comprehensive Income  
Years ended December 31, 1998, 1997 and 1996

<TABLE>  
<CAPTION>

	Common stock	Surplus	Undivided profits	Treasury stock	Accumulated other comprehensive income	Total
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995	\$ 1,058,300	6,316,648	12,917,381	(313,400)	249,388	20,228,317
Comprehensive income:						
Net income	--	--	1,750,710	--	--	1,750,710
Change in unrealized holding loss on securities available for sale, net of taxes of \$297,543	--	--	--	--	(446,314)	(446,314)
Total comprehensive income						1,304,396
Cash dividends (\$5 per share)	--	--	(1,037,909)	--	--	(1,037,909)
Purchase of treasury stock, at cost	--	--	--	(56,240)	--	(56,240)
Balance at December 31, 1996	1,058,300	6,316,648	13,630,182	(369,640)	(196,926)	20,438,564
Comprehensive income:						
Net income	--	--	2,189,300	--	--	2,189,300
Change in unrealized holding loss on securities available for sale, net of taxes of \$11,538	--	--	--	--	17,309	17,309
Total comprehensive income						2,206,609
Cash dividends (\$5 per share)	--	--	(1,044,483)	--	--	(1,044,483)
Purchase of 1,125 shares of treasury stock, at cost	--	--	--	(106,100)	--	(106,100)
Exercise 2,380 shares of stock options (note 10)	11,900	98,056	--	--	--	109,956
Balance at December 31, 1997	1,070,200	6,414,704	14,774,999	(475,740)	(179,617)	21,604,546
Comprehensive income:						
Net income	--	--	2,318,744	--	--	2,318,744
Change in unrealized holding loss on securities available for sale, net of taxes of \$243,447	--	--	--	--	363,629	363,629
Total comprehensive income						2,682,373
Cash dividends (\$5 per share)	--	--	(1,041,773)	--	--	(1,041,773)
Purchase of 459 shares of treasury stock, at cost	--	--	--	(52,785)	--	(52,785)
Balance at December 31, 1998	\$ 1,070,200	6,414,704	16,051,970	(528,525)	184,012	23,192,361

</TABLE>

See accompanying notes to consolidated financial statements.

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FIRST BANCORP, INC.  
AND SUBSIDIARY  
Consolidated Statements of Cash Flows  
Years ended December 31, 1998, 1997 and 1996

<TABLE>  
<CAPTION>

	1998	1997	1996
Operating activities:			
<S>	<C>	<C>	<C>
Net income	\$ 2,318,744	2,189,300	1,750,710
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	252,000	232,000	215,750
Provision for losses on other real estate	37,542	3,128	--
Depreciation and amortization	752,609	699,611	687,104
Gain on sale of other real estate	--	--	(30,141)
Amortization of investment security premiums	103,822	143,462	196,185
Accretion of investment security discounts	(159,566)	(171,364)	(248,693)
Net investment securities gains	(73,149)	(225,240)	(17,422)
Gain from sale of bank premises and equipment	(21,239)	--	--
(Increase) decrease in interest receivable	181,844	33,569	110,768
Increase (decrease) in interest payable	40,064	(5,506)	88,948
(Increase) decrease in deferred income taxes	324,701	(34,348)	(233,793)
(Increase) decrease in other assets	(959,526)	(317,178)	550,335
Increase (decrease) in other liabilities	506,650	378,898	(186,306)
Net cash provided by operating activities	3,304,496	2,926,332	2,883,445
Investing activities:			
Proceeds from sale of securities available for sale	35,011,052	21,993,955	11,498,023
Proceeds from maturity of securities available for sale	67,728,216	57,633,806	75,233,012
Purchase of securities available for sale	(91,259,519)	(81,689,001)	(78,280,496)
Net increase in loans	(16,317,313)	(15,988,430)	(16,601,961)
Purchase of bank premises and equipment	(816,481)	(639,234)	(596,428)
Proceeds from sale of bank premises and equipment	(24,000)	--	--
Proceeds from sale of other real estate	--	--	30,141
Net cash used in investing activities	(5,678,045)	(18,688,904)	(8,717,709)
Financing activities:			
Net increase (decrease) in demand deposit and savings accounts	1,583,497	4,127,941	(802,593)
Net increase in time deposits	8,272,460	7,639,208	12,560,246
Net (increase) decrease in federal funds sold	(5,456,000)	6,742,000	(1,894,000)
Net decrease in Federal Home Loan Bank advances	(1,000,000)	(1,000,000)	(3,000,000)
Net increase in treasury stock	(52,785)	(106,100)	(56,240)
Proceeds from sale of stock options	--	109,956	--
Cash dividends paid	(1,041,773)	(1,044,483)	(1,037,909)
Net cash provided by financing activities	2,305,399	16,468,522	5,769,504
Net increase (decrease) in cash and due from banks	(68,150)	705,950	(64,760)
Cash and due from banks at beginning of year	9,851,577	9,145,627	9,210,387
Cash and due from banks at end of year	\$ 9,783,427	9,851,577	9,145,627
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ 8,479,667	8,239,171	7,574,333
Cash paid during the year for income taxes	\$ 1,267,000	909,500	784,500

</TABLE>

See accompanying notes to consolidated financial statements.

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FIRST BANCORP, INC.  
AND SUBSIDIARY

(1) Summary of Significant Accounting Policies

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities disclosure of contingent assets and liabilities as of the date of the balance sheet, and revenue and expenses for the period. Actual results could differ from those estimates. The significant policies and estimates applied in the preparation of these consolidated financial statements are discussed below.

(a) Consolidation

The consolidated financial statements include the accounts of First Bancorp, Inc. and its wholly-owned subsidiary, First Bank, and its wholly-owned subsidiaries, Dock Street Building Corporation and Dock Street Title Agency, Incorporated (Company). All significant intercompany accounts and transactions have been eliminated. The Company's primary market area is Southeast Alaska where the majority of its activities has been with Alaska businesses and individuals.

(b) Reclassifications

Certain prior year balances have been changed to conform to the present year presentation.

(c) Investments

Securities available for sale are stated at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of other comprehensive income. Securities are classified as available for sale when management intends to hold the securities for an indefinite period of time or when the securities may be utilized for tactical asset/liability purposes and may be sold from time to time to effectively manage interest rate exposure and resultant prepayment risk and liquidity needs.

Federal Home Loan Bank stock is carried at cost which is its redeemable (fair) value since the market for this stock is limited.

Premiums are amortized (deducted) and discounts are accreted (added) to interest income on investment securities using methods that approximate the level-yield method. Gains and losses on sales of securities are computed using the specific-identification method of determining the cost of securities sold.

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FIRST BANCORP, INC.  
AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
December 31, 1998 and 1997

(d) Loans

Loans are stated at the principal amount outstanding. Interest on loans is taken into income when earned. Loan origination fees received in excess of direct origination costs are deferred and amortized to income by a method approximating the level-yield method over the estimated loan term.

Interest income on loans is recorded on an accrual basis until an interest or principal payment is more than 90 days past due and in the opinion of management the collectibility of such income becomes doubtful. The deferral or nonrecognition of interest does not constitute forgiveness of the borrower's obligation.

(e) Allowance for Loan Losses

The allowance for loan losses is a general reserve established by management to absorb unidentified losses in the Company's loan portfolio. In determining the adequacy of the allowance, management

evaluates prevailing economic conditions, results of regular examinations and evaluations of the quality of the loan portfolio by external parties, actual loan loss experience, the extent of existing risks in the loan portfolio and other pertinent factors. The allowance for impaired loans is based on discounted cash flows using the loans' initial interest rates or, if the loan is secured, the fair value of the collateral.

Future additions to the allowance may be necessary based on changes in economic conditions and other factors used in evaluating the loan portfolio. Additionally, various regulatory agencies, as an integral part of their examination process, periodically review the allowance. Such agencies may require the recognition of additions to the allowance based on their judgment of information available to them at the time of their examination.

(f) Loan Servicing

The cost of mortgage servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on a current market interest rate. The amount of impairment recognized is the amount by which the capitalized mortgage servicing rights exceed their fair value.

(g) Other Real Estate

Other real estate represents properties acquired through foreclosure or its equivalent. Prior to foreclosure, the carrying value is adjusted to the lower of cost or fair market value of the real estate to be acquired by a charge to the allowance for loan losses. Any subsequent reduction in carrying value is charged against operating expenses.

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FIRST BANCORP, INC.  
AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
December 31, 1998 and 1997

(h) Premises and Equipment

Premises and equipment are stated at cost, less amortization and accumulated depreciation. Depreciation expense on leasehold improvements is computed by use of the straight-line method over the shorter of the estimated useful lives of the assets or leasehold improvements. Expenditures for remodeling, improvements and construction are capitalized, while expenditures for maintenance and repairs are charged to expense.

(i) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(j) Net Income Per Share

Per share amounts are calculated based on the weighted average number of shares and common share equivalents outstanding during each year. Outstanding stock options are common stock equivalents and therefore are included in the calculation of the weighted average number of shares outstanding, if dilutive.

(k) Comprehensive Income

On January 1, 1998, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 130, Reporting Comprehensive Income. SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net income and net unrealized gains (losses) on securities and is presented in the consolidated statements of stockholders' equity and comprehensive income. The statement requires only additional disclosures in the consolidated financial statements; it does not affect the Company's financial position or results of operations. Prior year financial statements have been reclassified to conform to the requirements of SFAS No. 130.

(2) Cash and Due from Banks

The Company is required to maintain a \$200,000 minimum average daily balance with the Federal Reserve Bank (FRB) for purposes of settling financial transactions and charges for FRB services. The Company is also required to maintain sufficient cash balances or deposits with the FRB to meet its statutory reserve requirements. The reserve requirement for the two-week maintenance period, which included December 31, 1998 was satisfied by cash on hand in the Company's vault and on deposit with the FRB.

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FIRST BANCORP, INC.  
AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
December 31, 1998 and 1997

(3) Investment Securities

The following is a comparative summary of investment securities available for sale at December 31:

<TABLE>

<CAPTION>

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Market value
	-----	-----	-----	-----
1998:				
<S>	<C>	<C>	<C>	<C>
U.S. Government and federal agencies	\$ 54,763,462	438,739	(24,211)	55,177,990
States and political subdivisions	1,707,699	85,846	--	1,793,545
Corporate securities	8,963,078	80,739	(338)	9,043,479
Mortgage-backed securities	33,796,314	110,906	(496,797)	33,410,423
Other debt securities	1,414,450	1,973	--	1,416,423
Federal National Mortgage Association stock	8,257	110,856	--	119,113
	-----	-----	-----	-----
	\$ 100,653,260	829,059	(521,346)	100,960,973
	=====	=====	=====	=====
1997:				
U.S. Government and federal agencies	77,447,591	379,646	(6,562)	77,820,675
States and political subdivisions	1,846,350	23,220	--	1,869,570
Corporate securities	5,607,261	53,236	(2,819)	5,657,678
Mortgage-backed securities	27,053,534	128,857	(951,460)	26,230,931
Other debt securities	500,000	--	--	500,000
Federal National Mortgage Association stock	6,727	76,519	--	83,246
	-----	-----	-----	-----
	\$ 112,461,463	661,478	(960,841)	112,162,100
	=====	=====	=====	=====

</TABLE>

The amortized cost and market value of available for sale debt securities at December 31, 1998, are distributed by contractual maturity as shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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FIRST BANCORP, INC.  
AND SUBSIDIARY

Securities available for sale	Within one year	One to five years	Five to ten years	Due after ten years	Amortized cost	Market value
U.S. Government and federal agencies	\$ 11,994,028	31,817,815	2,611,247	8,340,372	54,763,462	55,177,990
State and political subdivisions	293,871	191,779	1,222,049	--	1,707,699	1,793,545
Corporate securities	3,057,268	4,028,225	--	1,877,585	8,963,078	9,043,479
Mortgage-backed securities	154,541	2,823,875	5,544,331	25,273,567	33,796,314	33,410,423
Other debt securities	500,000	--	--	914,450	1,414,450	1,416,423
	\$ 15,999,708	38,861,694	9,377,627	36,405,974	100,645,003	100,841,860

</TABLE>

Proceeds from sales of available for sale securities during 1998, 1997 and 1996 were \$35,011,052, \$21,993,955, and \$11,498,023, respectively. Gross gains of \$94,602, \$241,917, and \$37,437 and gross losses of \$21,453, \$16,677, and \$20,015 were realized on those sales for the years ended December 31, 1998, 1997 and 1996, respectively.

Market value of investment securities of approximately \$45,753,000 and \$49,630,000 are pledged to secure public deposits at December 31, 1998 and 1997, respectively.

A summary of taxable interest on securities available for sale for the year ended December 31 follows:

	1998	1997	1996
U.S. Treasury securities	\$ 1,534,168	1,288,127	1,321,549
Obligations of U.S. Government agencies and corporations	3,943,459	4,674,469	4,738,098
Other	668,453	548,157	639,991
	\$ 6,146,080	6,510,753	6,699,638

</TABLE>

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FIRST BANCORP, INC.  
AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
December 31, 1998 and 1997

(4) Loans

The Company's primary market area is Southeast Alaska, where the majority of its lending is with Alaska businesses and individuals. Approximately 66% of the Company's loans at December 31, 1998, are for general commercial uses, including timber, tourism, retail and small businesses. Substantially all of these loans are collateralized and repayment is expected from the borrowers' cash flow or, secondarily, the collateral. The Company's exposure to credit loss, if any, is the outstanding amount of the loan if the collateral is proved to be of no value.

The carrying amount of the loan portfolio is as follows at December 31:

	1998	1997
Mortgage	\$ 8,653,771	3,592,629
Commercial	82,214,463	73,870,604
Consumer	32,906,260	30,102,197
	123,774,494	107,565,430



Less unamortized loan origination fees	652,437	636,525
	-----	-----
	\$ 123,122,057	106,928,905
	=====	=====

The following table sets forth the maturity distribution and sensitivity to changes in interest rates of the Company's loan portfolio at December 31, 1998.

	Within one year	One to five years	After five years	Total
	-----	-----	-----	-----
Mortgage	\$ 308,425	239,647	8,105,699	8,653,771
Commercial	12,741,996	36,676,253	32,796,214	82,214,463
Consumer	6,306,945	25,247,132	1,352,183	32,906,260
	-----	-----	-----	-----
	\$ 19,357,366	62,163,032	42,254,096	123,774,494
	=====	=====	=====	=====
Loans at fixed interest rates	12,175,411	51,905,009	10,510,198	74,590,618
Loans at variable interest rates	7,181,955	10,258,023	31,743,898	49,183,876
	-----	-----	-----	-----
	\$ 19,357,366	62,163,032	42,254,096	123,774,494
	=====	=====	=====	=====

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FIRST BANCORP, INC.  
AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
December 31, 1998 and 1997

The Company has and will continue to have banking transactions with its directors, officers, principal shareholders and its associates in the ordinary course of business. It is Company policy that all such loan transactions be on the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others. An analysis of these loan transactions at December 31 follows:

	1998	1997
	-----	-----
Balance at beginning of year	\$ 2,646,307	1,968,729
Net additions (deletions)	113,032	677,578
	-----	-----
Balance at end of year	\$ 2,759,339	2,646,307
	=====	=====

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others was \$100,712,256 and \$86,690,480 at December 31, 1998 and 1997, respectively.

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately \$461,236 and \$522,896 at December 31, 1998 and 1997, respectively.

Mortgage servicing rights of \$379,422, \$153,286, and \$152,203 were capitalized during 1998, 1997, and 1996, respectively. The carrying value of unamortized mortgage servicing rights of \$576,021 and \$277,281 approximates its fair value as of December 31, 1998 and 1997, respectively. Amortization of mortgage servicing rights was \$80,682, \$19,029, and \$9,179 in 1998, 1997, and 1996, respectively.

(5) Allowance for Loan Losses

A summary of the allowance for loan losses as of December 31 follows:

	1998	1997	1996
	-----	-----	-----
Balance at beginning of year	\$ 1,293,512	1,103,414	1,383,814
Recoveries on loans previously charged off	16,225	49,524	18,353
Provision charged to expense	252,000	232,000	215,750
Loans charged off	(140,385)	(91,426)	(514,503)
	-----	-----	-----
Balance at end of year	\$ 1,421,352	1,293,512	1,103,414

The amount of any impaired loans is insignificant at December 31, 1998 and 1997.  
 The Company had no loans on nonaccrual status at December 31, 1998 and 1997.

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FIRST BANCORP, INC.  
 AND SUBSIDIARY  
 Notes to Consolidated Financial Statements  
 December 31, 1998 and 1997

(6) Premises and Equipment

A summary of premises and equipment at December 31 follows:

	1998	1997
	-----	-----
Company premises	\$ 4,742,278	4,703,952
Land	1,542,083	1,451,608
Equipment	4,869,636	4,279,667
	-----	-----
	11,153,997	10,435,227
Less accumulated depreciation	(5,357,475)	(4,747,816)
	-----	-----
	\$ 5,796,522	5,687,411
	=====	=====

(7) Deposits

Time deposits in amounts of \$100,000 or more and their remaining maturities at December 31 are as follows:

	1998	1997
Three months or less	\$ 27,611,027	26,496,631
Three through twelve months	28,056,872	22,251,443
Over twelve months	5,146,573	4,806,624
	-----	-----
	\$ 60,814,472	53,554,698
	=====	=====

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FIRST BANCORP, INC.  
 AND SUBSIDIARY  
 Notes to Consolidated Financial Statements  
 December 31, 1998 and 1997

(8) Income Taxes

Components of income tax expense (benefit) are as follows:

	Current	Deferred	Total
	-----	-----	-----
1998:			
Federal	\$ 1,084,889	78,004	1,162,893
State	266,092	3,250	269,342
	-----	-----	-----
	\$ 1,350,981	81,254	1,432,235
	=====	=====	=====
1997:			
Federal	1,010,936	(44,073)	966,863
State	100,906	(1,813)	99,093
	-----	-----	-----
	\$ 1,111,842	(45,886)	1,065,956
	=====	=====	=====
1996:			
Federal	687,354	54,000	741,354
State	39,207	9,750	48,957
	-----	-----	-----
	\$ 726,561	63,750	790,311
	=====	=====	=====

The actual tax expense for 1998, 1997 and 1996 differs from the "expected" tax expense for those years (computed by applying the U.S. Federal statutory tax rate of 34% to earnings before income taxes) as follows:

	1998	1997	1996
	-----	-----	-----
Computed "expected" income taxes	\$ 1,275,333	1,106,787	863,947
State income taxes	177,767	65,401	32,300
Tax-exempt interest	(69,838)	(49,834)	(37,867)
Other	48,973	(56,398)	(68,069)
	-----	-----	-----
	\$ 1,432,235	1,065,956	790,311
	=====	=====	=====

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FIRST BANCORP, INC.  
AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
December 31, 1998 and 1997

The components of and changes in the net deferred tax asset (liability) are as follows:

<TABLE>  
<CAPTION>

	Dec. 31, 1996	(Deferred expense) benefit	Dec. 31, 1997	(Deferred expense) benefit	Dec. 31, 1998
	-----	-----	-----	-----	-----
Deferred tax assets:					
<S>	<C>	<C>	<C>	<C>	<C>
Bad debt deduction	\$ 266,104	76,018	342,122	51,392	393,514
Loan fees	249,259	6,624	255,883	6,397	262,280
Depreciation	17,633	150,973	168,606	19,292	187,898
Other real estate owned	41,879	(22,489)	19,390	15,092	34,482
Unrealized loss (gain) on available sale investment securities	131,284	(11,538)	119,746	(243,447)	(123,701)
Other	37,109	(12,351)	24,758	14,886	39,644
	-----	-----	-----	-----	-----
Total gross deferred tax assets	743,268	187,237	930,505	(136,388)	794,117
	-----	-----	-----	-----	-----
Deferred tax liabilities:					
Federal Home Loan Bank stock dividends	(424,994)	(78,993)	(503,987)	(85,988)	(589,975)
Accretion on bonds	(6,774)	(19,925)	(26,699)	17,768	(8,931)
Loan servicing rights	(57,496)	(53,971)	(111,467)	(120,093)	(231,560)
	-----	-----	-----	-----	-----
Total deferred tax liabilities	(489,264)	(152,889)	(642,153)	(188,313)	(830,466)
	-----	-----	-----	-----	-----
Valuation allowance	--	--	--	--	--
	-----	-----	-----	-----	-----
Net deferred tax asset	\$ 254,004	34,348	288,352	(324,701)	(36,349)
	=====	=====	=====	=====	=====

Amounts attributed to gain (loss)  
on available for sale investment  
securities and recorded as a  
reduction to unrealized  
holding gain or loss

11,538	243,447
-----	-----
\$ 45,886	(81,254)
=====	=====

</TABLE>

A valuation allowance on a deferred tax asset is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The Company has available tax planning strategies, anticipates future taxable income and historically has had taxable income; accordingly, a valuation allowance was not established in the current year. The net deferred tax asset is included in other assets.

FIRST BANCORP, INC.  
AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
December 31, 1998 and 1997

## (9) Comprehensive Income

At December 31, 1998, the related tax effects allocated to each component of other comprehensive income follows:

<TABLE>  
<CAPTION>

	Before tax amount	Tax (expense) benefit	Net of tax amount
<S>	<C>	<C>	<C>
Unrealized holding gains on securities available for sale arising during 1998	\$ 680,225	272,781	407,444
Less: reclassification adjustment for gains and losses realized in net income	73,149	29,334	43,815
Net unrealized gains	607,076	243,447	363,629

&lt;/TABLE&gt;

## (10) Employee Benefit Plans

On January 1, 1992, the Company merged approximately 60% of its profit sharing plan into the existing noncontributory defined contribution 401(k) retirement plan. Contributions made to the 401(k) plan and charged to expense amounted to \$100,000, \$75,000 and \$60,000 in 1998, 1997 and 1996, respectively.

Concurrently, the Company established an employee stock ownership plan (ESOP) with the remaining 40% of the profit sharing plan's assets. Contributions made to the ESOP and charged to expense amounted to \$75,000, \$50,000 and \$40,000 in 1998, 1997 and 1996, respectively.

Participation in the plans is available to employees who have completed six months of service with the Company.

## (11) Commitments and Contingencies

## General

The Company from time to time may be a defendant in legal proceedings related to the conduct of its banking business. In the opinion of management, the Company's financial position and results of operations will not be affected materially by the final outcome of any present legal proceedings.

FIRST BANCORP, INC.  
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## Lease

The Company is obligated under noncancelable operating leases for premises, some of which have renewal options. Net future minimum rental payments required under the lease are as follows:

Year ending December 31		Amount
1999	\$	220,596
2000		197,801
2001		159,156
2002		159,156
2003		142,068
Thereafter		134,845

Rental expense amounted to \$198,385, \$196,950, and \$191,739 in 1998, 1997 and 1996, respectively.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company enters into various types of transactions which involve financial instruments with off-balance sheet risk. These instruments include commitments to extend credit and standby and commercial letters of credit and are not reflected in the accompanying balance sheets. These transactions may involve, to varying degrees, credit and interest rate risk in excess of the amount, if any, recognized in the balance sheets. The Company applies the same credit standards to these contracts as it uses in its lending process. Management does not anticipate any loss to result from these commitments.

As of December 31, the Company's off-balance sheet credit risk exposure is the contractual amount of commitments to extend credit and letters of credit, is as follows:

	1998 -----	1997 -----
Off-balance sheet commitments:		
Commitments to extend credit	\$ 8,741,433	10,240,000
Standby and commercial letters of credit	395,120	575,785

Line of Credit

The Company has a line of credit up to 20% of assets or approximately \$51,000,000 at December 31, 1998 with the Federal Home Loan Bank (FHLB). There is no outstanding balance on the credit line at December 31, 1998. The Company has pledged its FHLB stock and other assets as collateral on the line of credit.

(12) Regulatory Matters

The Federal Deposit Insurance Corporation has established risk-based standards for evaluating a bank's capital adequacy. These standards require the Company to maintain minimum ratio of qualifying total capital to risk weighted assets of 8% of which at least 4% must be in the form of

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FIRST BANCORP, INC.  
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 Notes to Consolidated Financial Statements  
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core capital (TIER 1). Management believes as of December 31, 1998 and 1997, that the Bank meets all capital adequacy requirements. TIER 1 capital includes the bank's stockholders' equity, minus all intangible assets. The Bank's actual capital amounts at December 31 are as follows:

	1998 -----	1997 -----
Total risk-based capital ratio	17.6%	17.7%
TIER 1 risk-based capital ratio	16.5%	17.8%
Leverage capital ratio	8.8%	8.9%

(13) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair value disclosures as defined under SFAS No. 107, Disclosures About Fair Value of Financial Instruments:

Cash and due from banks and federal funds sold - the carrying amounts reported in the balance sheet represent their fair values.

Investment securities - fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Investments in the Federal Reserve Bank (FRB) and FHLB are recorded at cost, which also represents fair market value.

Loans - for variable-rate loans that reprice frequently, fair values are based on carrying amounts. Fair values of residential mortgages with commitments to sell within 90 days are based on the amounts receivable under the commitments. An estimate of the fair value of the remaining portfolio is based on discounted cash flow analyses applied to pools of similar loans, using weighted average coupon rate, weighted average maturity, and interest rates currently being offered for similar loans. The carrying amount of accrued interest receivable approximates its fair value.

Deposit liabilities - the fair values of demand and savings deposits are equal to the carrying amount at the reporting date. The carrying amount for variable rate time deposits approximate their fair value. Fair values for fixed rate time deposits are estimated using a discounted cash flow calculation that applies currently offered interest rates to a schedule of aggregate expected monthly maturities of time deposits. The carrying amount of accrued interest payable approximates its fair value.

Short-term borrowings - for FHLB advances and Federal funds purchased with maturities less than 90 days, the carrying amount represents their fair value. For FHLB advances and federal funds purchased with maturities longer than 90 days, fair values are estimated using a discounted cash flow calculation using current interest rates for similar borrowings.

Commitments to Extend Credit and Standby Letters of Credit - The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest

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FIRST BANCORP, INC.  
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rates and the committed rates. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligation with the counterparties at the reporting date.

Limitations - Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value of financial instruments is as follows:

<TABLE>  
<CAPTION>

	1998		1997	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
<S> Cash and due from banks	\$ 9,783,427	9,783,427	9,851,577	9,851,577
Federal funds sold	9,391,000	9,391,000	3,935,000	3,935,008
Investment securities	100,960,973	100,960,973	112,162,100	112,162,100
Loans	123,744,494	125,101,850	107,565,430	107,762,461
Accrued interest receivables	1,756,967	1,756,967	1,938,811	1,938,811
Financial liabilities:				
Deposits	229,528,105	229,929,659	219,672,148	220,007,410

Accrued interest payable	516,779	516,779	476,715	476,715
Short-term borrowings	--	--	1,000,000	1,000,000
Unrecognized financial instruments:				
Commitments to extend credit	8,741,433	87,414	10,240,000	102,400
Standby and commercial letters of credit	395,120	3,951	575,785	5,856

</TABLE>

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FIRST BANCORP, INC.  
AND SUBSIDIARY  
Notes to Consolidated Financial Statements  
December 31, 1998 and 1997

(14) Quarterly Results of Operations

(in thousands except per share data. Unaudited.)

<TABLE>  
<CAPTION>

1998	Quarter ended			
	Dec. 31	Sept. 30	June 30	Mar. 31
<S>	<C>	<C>	<C>	<C>
Total interest income	\$ 4,657	4,659	4,511	4,429
Total interest expense	2,136	2,189	2,130	2,065
Net interest income	2,521	2,470	2,381	2,364
Provision for loan losses	48	72	60	72
Other operating income	915	909	882	776
Other operating expense	2,485	2,233	2,273	2,297
Securities gains	13	16	44	--
Income before income taxes	916	1,090	974	771
Income taxes	523	387	247	275
Net income	\$ 393	703	727	496
Earnings per share	\$ 1.88	3.37	3.49	2.38

1997	Quarter ended			
	Dec. 31	Sept. 30	June 30	Mar. 31
Total interest income	\$ 4,576	4,483	4,301	4,050
Total interest expense	2,209	2,097	2,006	1,922
Net interest income	2,367	2,386	2,295	2,128
Provision for loan losses	48	72	56	56
Other operating income	254	971	813	630
Other operating expense	1,635	2,407	2,293	2,247
Securities gains	--	135	87	3
Income before income taxes	938	1,013	846	458
Income taxes	383	341	158	184
Net income	\$ 555	672	688	274
Earnings per share	\$ 2.65	3.22	3.29	1.31

</TABLE>

(15) Subsequent Event

In January 1999, the Board of Directors approved a reorganization plan for First Bancorp, Inc. This plan is intended to convert the Company into a Subchapter S under the Internal Revenue Code. Additionally, this plan would require that the Company re-purchase a portion of their stock with a value ranging from \$4 to 6 million. This plan is to be voted on by the Company's stockholders in March 1999.

## PART II -- INFORMATION NOT REQUIRED IN PROSPECTUS

## Item 20. Indemnification of Directors and Officers

As a Delaware corporation, Newco, Inc. is subject to the General Corporation Law of the State of Delaware. Under Delaware law, a corporation may provide in its Certificate of Incorporation or in its Bylaws for the indemnification of directors and officers against liability where the director or officer has acted in good faith and with a reasonable belief that actions taken were in the best interests of the corporation or at least not adverse to the corporation's best interests and, if in a criminal proceeding, the individual had no reasonable cause to believe that the conduct in question was unlawful. A corporation may not indemnify an officer or director against liability in connection with a claim by or in the right of the corporation in which such officer or director was adjudged liable to the corporation or in connection with any other proceeding in which the officer or director was adjudged liable for receiving an improper personal benefit, however a corporation may indemnify against the reasonable expenses associated with such proceeding. A corporation may not indemnify against breaches of the duty of loyalty. The Business Corporation Act provides for mandatory indemnification of directors against all reasonable expenses incurred in the successful defense of any claim made or threatened whether or not such claim was by or in the right of the corporation. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances whether or not the director or officer met the good faith and reasonable belief standards of conduct set out in the statute. Unless otherwise stated in the Articles of Incorporation, officers of the corporation are also entitled to the benefit of the above statutory provisions.

Delaware law also provides that the corporation may, by so providing in its Certificate of Incorporation, eliminate or limit the personal liability of a director to the corporation or its shareholders for monetary damages for conduct as a director, provided that the Certificate of Incorporation may not eliminate or limit liability for any breach of the director's duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, any unlawful distribution, or any transaction from which the director received an improper personal benefit.

In accordance with Delaware law, the Certificate of Incorporation of Newco, Inc. provides that directors are not personally liable to the corporation or its shareholders for monetary damages for conduct as a director, except for (i) any breach of a director's duty of loyalty to the corporation, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) any distribution to shareholders which is unlawful, or (iv) any transaction from which the director received an improper personal benefit.

The Certificate of Incorporation also provides for indemnification of any person who is or was a party, or is threatened to be made a party, to any civil, administrative or criminal proceeding by reason of the fact that the person is or was a director or officer of the corporation or any of its subsidiaries, or is or was serving at the request of the corporation as a director, officer, partner, agent or employee of another corporation or entity, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by that person if (i) the person acted in good faith and in a manner reasonably believed to not be opposed to the best interests of the corporation, or (ii) the act or omission giving rise to such action or proceeding is ratified, adopted or confirmed by the corporation, or the benefit thereof was received by the corporation. Indemnification is available under this provision of the Certificate of Incorporation in the case of derivative actions, unless the person is adjudged to be liable for gross negligence or deliberate misconduct in the performance of the person's duty to the corporation. To the extent a director, officer, employee or agent (including an attorney) is successful on the merits or otherwise in defense of any action to which this provision is applicable, the person is entitled to indemnification for expenses actually and reasonably incurred by the person in connection with that defense.

## Item 21. Exhibits and Financial Statement Schedules

The exhibits filed with this registration statement are listed on the Exhibit Index.

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## Item 22. Undertakings



The undersigned registrant hereby undertakes that:

(A) Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(B) For determining any liability under the Act, the registrant will treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1), or (4), or 497(h) under the Act as part of this registration statement as of the time the Commission declared it effective.

(C) For determining any liability under the Act, the registrant will treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

(D) The registrant will supply, by means of an post-effective amendment all information concerning the transaction and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

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SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Ketchikan, State of Alaska, on March 18, 1999.

Newco Alaska, Inc.

By /s/ William G. Moran, Jr.

-----  
William G. Moran, Jr., President

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on March 18, 1999:

/s/ James C. Sarvela  
James C. Sarvela, Vice President and Chief Financial Officer  
(Principal accounting officer)

/s/ James C. Sarvela  
-----  
James C. Sarvela, Vice President and  
Chief Financial Officer  
(Principal accounting officer)

-----  
William G. Moran, Sr., Director

/s/ William G. Moran, Jr.  
-----  
William G. Moran, Jr., Director

/s/ Ernest J. Anderes\*

/s/ Michael J. Cessnun\*

-----  
Ernest J. Anderes, Director

-----  
Michael J. Cessnun, Director

/s/ Joseph M. Moran\*

/s/ Michael J. Elerding\*

-----  
Joseph M. Moran, Director

-----  
Michael J. Elerding, Director

/s/ Lisa A. Murkowski\*

-----  
Lisa A. Murkowski, Director

-----  
Alec W. Brindle, Jr., Director

\*by: /s/ William G. Moran, Jr.

-----  
William G. Moran, Jr.,  
Attorney-in-Fact

#### EXHIBIT INDEX

##### Exhibit

- 2.0 Agreement and Plan of Reorganization by and between First Bancorp, Inc. and Newco, Inc. (Included in this Registration Statement as Appendix A to the Proxy Statement).
- 3.1 Certificate of Incorporation of Newco Alaska, Inc.\*
- 3.2 Bylaws of Newco Alaska, Inc.\*
- 4.0 Specimen Common Stock Certificate
- 5.0 Opinion of Foster Pepper & Shefelman LLP regarding legality of shares to be issued in the Reorganization
- 8.0 Opinion of Foster Pepper & Shefelman PLLC regarding tax matters
- 10.1 Lease, dated April 24, 1989, by and between Clifford White et al and First Bank, relating to the Wrangell branch \*
- 10.2 Lease, dated April 20, 1990, by and between Sealaska Corporation and First Bank, relating to the Downtown (Juneau) branch \*
- 10.3 Lease, dated July 1, 198, by and between ADV Properties and First Bank, relating to the Mendenhall Mall (Juneau) branch \*
- 10.4 Agreement of Lease, dated August 11, 1980, by between The Sitka Professional Center I and First Bank, relating to the Sitka branch \*
- 23.1 Consent of KPMG LLP relating to Financial Statements of First Bancorp, Inc.
- 23.2 Consent of Alex Sheshunoff & Co. Investment Banking \*
- 23.3 Consent of Foster Pepper & Shefelman LLP relating to opinion regarding legality (included in Exhibit 5.0)
- 23.4 Consent of Foster Pepper & Shefelman PLLC relating to opinion regarding tax matters (included in Exhibit 8.0)
- 24.0 Powers of Attorney \*
- 99.1 Fairness Opinion of Alex Sheshunoff Investment Bankers (included in this Registration Statement as Appendix B to the Proxy Statement)
- 99.2 Form of Proxy to be sent to stockholders of First Bancorp \*

\* Previously filed

EXHIBIT 4.0

SPECIMEN STOCK CERTIFICATE

No. \_\_\_\_\_ First Bancorp, Inc. Number of Shares  
(Organized Under the Laws of \_\_\_\_\_  
the State of Delaware)

This certifies that

is the owner of \_\_\_\_\_ fully paid and non-assessable shares  
of common stock, par value \$5.00 per share, of

FIRST BANCORP, INC.

Hereinafter called the "company," transferable on the books  
of the company by the holder thereof in person or by his  
duly authorized attorney upon surrender of this certificate  
properly endorsed.

The amount of common stock is set forth on the nbooks of  
the company. The shares represented by this certificate  
are transferable only on the stock transfer books of the  
company by the holder of record thereof, or by his duly  
authorized attorney or legal representative, upon the  
surrender of this certificate properly endorsed.

[SEAL] In Witness Whereof, the company has caused this certificate  
to be signed by its duly authorized officers, its its seal  
is to be hereunto affixed.

Dated \_\_\_\_\_

Authorized Signature

Authorized Signature

Ex. 4.0 - Page 1

FIRST BANCORP, INC.

The shares represented by this certificate are issued subject to the  
provisions of the certificate of incorporation and bylaws of First Bancorp,

Inc. (the "company") as from time to time amended (copies of which are on file at the principal executive offices of the company).

The company will furnish to any stockholder upon request and without charge a full statement of the powers, designations, preferences and relative, participating, optional or other special rights of each authorized class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights to the extent that the same may have been fixed, and of the authority of the board of directors to designate the same with respect to other series. Such request may be made to the company.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entirety
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

(Name) CUST (Name) (State) UNIF GIFT MIN ACT-  
 \_\_\_\_\_ Custodian \_\_\_\_\_  
 (Cust) (Minor)  
 Under \_\_\_\_\_ Uniform Gift to Minors Act  
 State

Additional abbreviations may also be used though not in the above list

For value received, \_\_\_\_\_

Please insert Social Security or other number identifying number of assignee \_\_\_\_\_ hereby sell, assign and transfer unto \_\_\_\_\_ shares of the common stock represented by the within certificate, and do hereby irrevocably constitute and appoint \_\_\_\_\_ attorney, to transfer the said stock on the books of the within named company, with full power of substitution in the premises.

Dated \_\_\_\_\_

In the presence of: \_\_\_\_\_ (L.S.)

Notice: The signature(s) to this assignment must correspond with the name(s) as written upon the face of the certificate in every

particular, without alteration or enlargement or any change whatsoever.

Ex. 4.0 - Page 2

Exhibit 5.0

[FOSTER PEPPER & SHEFELMAN LLP LETTERHEAD]

March 24, 1999

Board of Directors  
Newco Alaska, Inc.  
331 Dock St.  
Ketchikan, Alaska 99907

Re: Reorganziation of First Bancorp

Ladies and Gentlemen:

The undersigned has acted as counsel to Newco Alaska, Inc. (the "Company") in the preparation and filing of a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended, covering shares (the "Shares") of the Company's Common Stock to be issued to shareholders of First Bancorp, Inc., in connection with the reorganization of First Bancorp, pursuant to an Agreement and Plan of Reorganization (the "Agreement"), dated March 15, 1999, by and between the Company and First Bancorp.

In the course of our representation we have examined the Registration Statement, the Agreement, copies of the Certificate of Incorporation, Bylaws, and excerpts of minutes of meetings of the Boards of Directors of the Company. We have also received from officers of the Company certain representations concerning factual matters. We have reviewed such documents and have made such review of laws as we consider necessary for purposes of this opinion.

We have relied as to matters of fact upon the above documents and investigation. We have assumed without investigation the genuineness of all signatures and the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as certified or photostatic copies.

Based upon the foregoing and subject to the qualifications and exceptions heretofore and hereinafter set forth, we are of the opinion that, when the Registration Statement has been declared effective, the applicable provisions of state securities laws have been complied with, the reorganization is consummated and the Company has issued the Shares in the manner as provided by the Agreement and as described the Registration Statement, the Shares will be validly issued and fully paid, and

non-assessable.

The opinion herein expressed are specifically subject to and qualified by the following:

This opinion is limited to the General Corporation Law of the State of Delaware and applicable federal laws of the United States of America and to the facts bearing on this opinion as they exist on the date of this letter.

Ex. 5.0 - Page 1

We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement and to the reference to our firm under the heading "Legal Matters" in the prospectus.

Very truly yours,

/s/ Foster Pepper & Shefelman LLP

FOSTER PEPPER & SHEFELMAN LLP

Ex. 5.0 - Page 2

Exhibit 8.0

[LETTERHEAD OF FOSTER PEPPER & SHEFELMAN PLLC]

March 24, 1998

First Bancorp, Inc.  
331 Dock Street  
P.O. Box 7290  
Ketchikan, AK 99901

Re: Merger Pursuant to Agreement and Plan of Reorganization Among  
First Bancorp, Inc. and Newco Alaska, Inc.

Ladies and Gentlemen:

We have acted as counsel to First Bancorp, Inc., a Delaware corporation (the "Company"), in connection with the proposed merger (the "Merger") of Company with and into Newco Alaska, Inc., a Delaware corporation ("Newco"), pursuant to the terms of the Agreement and Plan of Reorganization dated as of March 15, 1999 by and among Company and Newco (the "Merger Agreement"). This opinion is being delivered to you in connection with the Merger Agreement. Except as otherwise provided, capitalized terms not defined herein have the meanings set forth in the Merger Agreement and the exhibits thereto or in the letters delivered to Foster Pepper & Shefelman LLP by Company and Newco containing certain representations relevant to the opinion (the "Representations Letters"). All section references, unless otherwise indicated, are to the United States Internal Revenue Code of 1986, as amended (the "Code").

You have requested our opinion regarding certain federal income tax consequences of the Merger. In our capacity as counsel to Company in the Merger, and for purposes of rendering this opinion, we have examined and relied upon the registration statement on Form S-4, which includes the Joint Proxy Statement and Prospectus relating to the Merger Agreement (the "Registration Statement"), the Merger Agreement and the exhibits thereto, the Representation Letters, and such other documents as we considered relevant for purposes of this opinion. In our examination, we have assumed the authenticity of all documents submitted to us as originals, the accuracy of all documents submitted to us as copies and the authenticity of the originals of such copies, the genuineness of signatures, and the legal capacity of signatures.

We have assumed that all parties to the Merger Agreement and to any



other documents examined by us have acted, and will act, in accordance with the terms of such Merger Agreement and documents and that the Merger will be

Ex. 8.0 - Page 1

consummated at the Effective Date pursuant to the terms and conditions set forth in the Merger Agreement without the waiver or modification of any such terms and conditions. Furthermore, we have assumed that all representations contained in the Merger Agreement, as well as those representations contained in the Representation Letters, are, and at the Effective Date will be, true and complete in all material respects. We have also assumed that as to all matters for which a person or entity has represented that such person or entity is not a party to, does not have, or is not aware of, any plan, intention, understanding, or agreement, there is no such plan, intention, understanding, or agreement. We have not attempted to verify independently such representations, but in the course of our representation, nothing has come to our attention that would cause us to question the accuracy thereof.

In rendering our opinion, we have considered the applicable provisions of the Code, Treasury Regulations promulgated or proposed thereunder (the "Regulations"), current published administrative positions of the Internal Revenue Service ("Rulings"), and existing judicial authorities. New developments in the Regulations, Rulings, judicial authorities or legislative changes occurring after the Effective Date may have an adverse impact upon the opinions expressed herein. Nevertheless, we undertake no responsibility to advise you of any developments after the Effective Date in the application or interpretation of the income tax laws of the United States.

Our opinion represents our best judgment of how a court would decide if presented with the issues addressed herein and is not binding upon either the Internal Revenue Service ("IRS") or any court. Thus, no assurances can be given that a position taken in reliance on our opinion will not be challenged by the IRS or rejected by a court.

This opinion addresses only the specific United States federal income tax consequences of the Merger set forth below, and does not address any other federal, state, local, or foreign income, estate, gift, transfer, sales, use, excise or other tax consequences that may result from the Merger or any other transaction (including any transaction undertaken in connection with the Merger). We express no opinion regarding the tax consequences of the Merger to shareholders of Company that are subject to special tax rules, such as dealers in securities, banks, insurance companies, tax-exempt organizations and non-United States persons.

On the basis of, and subject to the foregoing, and in reliance upon the representations and assumptions described above, we are of the following opinion:

1. The Merger will constitute a reorganization within the meaning of

Section 368(a)(1) of the Code and Company and Newco will be parties to such reorganization within the meaning of Section 368(b) of the Code;

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2. No gain or loss will be recognized by Company or Newco solely as a result of the Merger;

3. No gain or loss will be recognized by the shareholders of Company upon the exchange of Company stock solely for shares of Newco stock in the Merger, except to the extent that cash, if any, is received in lieu of fractional shares of Newco stock;

4. Cash received by the shareholders of Company in lieu of fractional shares of Newco stock will be treated as received as a distribution in redemption of such fractional shares, as if such fractional shares had been issued in the Merger and then redeemed by Newco; such a shareholder will recognize gain or loss equal to the difference between the cash received and the shareholder's tax basis in that fractional share, and that gain or loss will be capital gain or loss if the fractional share would have been a capital asset in the hands of the shareholder (See Section 302 of the Code; Rev. Rul. 66-365, 1966-2 C.B. 116; Rev. Proc. 77-41, 1977-2 C.B. 574);

5. The tax basis of the shares of Newco stock received (including the fractional share interests) by the shareholders of Company in the Merger will be equal to the tax basis of the shares of Company stock exchanged therefor in the Merger;

6. The holding period for the shares of Newco stock received by the shareholders of Company will include the holding period for the shares of Company stock exchanged therefor in the Merger, provided that the shares of Company stock are held as capital assets at the Effective Date;

7. Cash received by a shareholder of Company who has perfected dissenters' rights under the relevant provisions of the General Corporation Laws of the State of Delaware as to his or her Company stock will be treated as a distribution in redemption of such shares (see Section 302 of the Code);

8. A Company shareholder who receives cash in exchange for Company stock will recognize gain or loss in an amount equal to the difference between the cash received and the shareholder's tax basis in the shares of Company stock exchanged therefor; provided that the shares of Company stock exchanged are held as capital assets at the Effective Date, such gain or loss shall be a capital gain or loss;

9. If Newco, within ten (10) years of converting to an S corporation disposes of an asset: (a) that it acquired from Company in the Merger, or

(b) that it held immediately prior to the conversion to an S corporation, it will be subject to tax on any net recognized built-in gain attributable to such asset; and

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10. Newco will be required to include in its taxable income, ratably over six years, the built-in gain generated from the recapture of the loan loss reserve as the result of the change from the reserve method of accounting for loan losses to the specific charge-off method.

No opinion is expressed as to any other consequences of the Merger except as specifically set forth herein, and this opinion may not be relied upon except with respect to the consequences specifically discussed herein.

This opinion is being delivered to you solely in connection with the Merger Agreement and may be relied upon by Newco Alaska, Inc. and First Bancorp, Inc. and its shareholders. It may not be relied upon for any other purpose or by any other person or entity, and may not be made available to any other person or entity without our prior written consent. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement, and further consent to the use of our name in the Registration Statement in connection with references to this opinion and the tax consequences of the Merger. In giving this consent, however, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended.

Very truly yours,

/s/ Foster Pepper & Shefelman PLLC

FOSTER PEPPER & SHEFELMAN PLLC

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[CONSENT OF KPMG LLP]

The Board of Directors  
First Bancorp, Inc.:

We consent to the use of our reports included herein and to the reference to our firm under the headings "Experts" in the Registration Statement, Form S-4.

/s/ KPMG LLP

Anchorage, Alaska  
March 15, 1999