

ESCROW AGREEMENT

THIS ESCROW AGREEMENT is made and entered into as of the ___ day of _____ 2007, by and between the Kenai Peninsula Borough, Alaska (the "Borough"), and The Bank of New York Trust Company, N.A., Seattle, WA, as Escrow Agent (the "Escrow Agent");

WITNESSETH:

Section

1. Refunded General Obligation Bonds. Pursuant to certain resolutions duly passed and approved, the Borough issued certain general obligation service area bonds as follows:

Bond Issue	Dated as of	Authorizing Resolution
Central Kenai Peninsula Hospital Service Area General Obligation Bonds, Series 2003	December 18, 2003	Resolution 2003-121

On the date hereof, portions of said bond issues remain outstanding, including the aggregate principal amount of \$_____ as identified on Schedule A attached hereto and by this reference made a part hereof (the "Refunded Bonds"). The Refunded Bonds are to be redeemed and retired on August 1, 2013 as set forth in Schedule A (the "Redemption Date") with proceeds, and investment earnings thereon, of the hereinafter defined Refunding Bonds.

The Borough is legally empowered to issue its general obligation refunding bonds in order to defease the Refunded Bonds by providing funds sufficient to pay the

principal of and the interest and redemption premium, if any, on, the Refunded Bonds on their Redemption Date. The proceedings pursuant to which the Refunding Bonds were issued authorize the defeasance of the Refunded Bonds as set forth herein.

The Borough, pursuant to Resolution 2007-__ (the " Resolution"), has determined to issue its Service Area general obligation refunding bonds in the aggregate principal amount of \$_____ to be designated Central Kenai Peninsula Hospital Service Area General Obligation Refunding Bonds, 2007 (the "Refunding Bonds"), to deposit with the Escrow Agent a combination of cash and investment assets, as described in Section 2 hereof, to provide for the payment of principal of and interest and redemption premium, if any, on the Refunded Bonds through their respective Redemption Dates and thereby to defease the Refunded Bonds in the manner provided in the Resolution and Resolution 2003-121 pursuant to which the Refunding Bonds were issued.

Section 2. Provisions for Refunding the Refunded Bonds. To accomplish the defeasance of the Refunded Bonds in the manner set forth in the Resolution, the Borough hereby irrevocably deposits with the Escrow Agent cash in the amount of \$_____, together with the investment securities described in Schedule B attached hereto (the "Escrow Obligations"), in trust for the security and benefit of the owners of the Refunded Bonds to be held by the Escrow Agent in trust, (as described in Section 3 hereof), separate and apart from each other and all other cash and investment securities held by the Escrow Agent (the "Refunded Bond Account").

The Escrow Agent hereby acknowledges receipt of such amounts. The Escrow Agent agrees that it will apply the assets hereunder only as provided for in this

Agreement, to-wit: the cash and securities held in the Refunded Bond Account shall be used to refund the Refunded Bonds and such cash and securities shall be used only to provide for the payment of the interest on the Refunded Bonds when and as due to and including their Redemption Date and to redeem on the Redemption Date the Refunded Bonds at the applicable redemption price as set forth in Schedule A attached hereto.

The sufficiency of the cash and Escrow Obligations to accomplish payment of the Refunded Bonds as described above has been verified by _____, which has prepared a verification report dated the date hereof (the "Verification Report").

Attached hereto as Schedule C and by this reference made a part hereof is a statement of the Borough setting forth the maturity schedule of the Refunded Bonds by amount, dates of maturity, interest rates, the amount of interest to be paid on each semiannual interest payment date and the redemption price to be paid on the respective Redemption Date for the Refunded Bonds to be redeemed and retired on such date.

The Borough hereby irrevocably instructs the Escrow Agent to call the Refunded Bonds for redemption on the respective Redemption Dates as shown on Schedule A attached hereto. The Escrow Agent shall provide for the giving of proper notice of the redemption of the Refunded Bonds in the manner and in accordance with the terms of the resolution that authorized the issuance of such Refunded Bonds. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Refunded Bonds.

Section 3. Deposits in the Refunded Bond Account. The Escrow Agent shall maintain a special trust fund and irrevocable escrow herein called the "Refunded Bond Account."

The Escrow Agent hereby agrees that upon receipt of cash and Escrow Obligations as described in Section 2 hereof, it will deposit to the credit of the Refunded Bond Account cash in the amount of \$____ and Escrow Obligations described in Schedule B attached hereto. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Refunded Bond Account, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged for the payment of the principal of, and interest on, a portion of the Refunded Bonds as more fully described on Schedule A attached hereto.

Section 4. Payment of Interest, Principal and Redemption Price on Refunded Bonds. The Escrow Agent shall present for payment on the due dates thereof any Escrow Obligations or the Substitute Obligations (as defined herein) deposited with it, and any other investment securities purchased hereunder, and shall apply the proceeds derived therefrom and the interest paid thereon, and the cash held by it hereunder, in accordance with the provisions of the Resolution and this Agreement provided that, the cash and securities held in the Refunded Bond Account shall only be used to refund the Refunded Bonds. Moneys shall, in a timely manner, be transferred by the Escrow Agent to the paying agent for the Refunded Bonds in amounts sufficient for the payments specified in Sections 2 and 3 hereof.

Section 5. Substitution of Different Escrow Obligations or Other Investments.

The Borough reserves the right to substitute from time to time for the Escrow Obligations initially purchased in accordance with Section 2 hereof, or for obligations purchased under this Section, other direct, non-callable obligations of the United States of America (the "Substitute Obligations"). Prior to effecting any such substitution, the Borough shall have obtained and delivered to the Escrow Agent;

(a) a letter addressed to the Borough and to the Escrow Agent from an independent, nationally recognized firm verifying the computations which indicate that the Escrow Obligations, the Substitute Obligations and other money to be held by the Escrow Agent for purposes of making the payments described in Section 2 hereof for the particular series will be sufficient, after the proposed substitution, to make all payments described in said Section 2 for such series of Refunded Bonds; and

(b) an opinion addressed to the Borough and the Escrow Agent of nationally recognized bond counsel that such substitution of obligations will not cause the interest on the Refunding Bonds or the Refunded Bonds to be subject to federal income taxes and will not cause any Refunding Bond or Refunded Bond to become an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations and rulings promulgated thereunder (as the same may be amended from time to time to the extent such amendments apply to the Refunding Bonds or the Refunded Bonds).

Section 6. Reinvestment of Proceeds of Escrow Obligations. The proceeds (principal and interest) and reinvestment proceeds of any Escrow Obligations which are

not needed within five days of the receipt thereof to make the payments in Section 4 hereof, shall be reinvested by the Escrow Agent, subject to the following:

(a) Except as provided in subsection (c) below, the proceeds of such Escrow Obligations shall be reinvested in Substitute Obligations at a yield that will not cause the composite yield on the refunding escrow to exceed the percentage identified in the Verification Report as last revised. Any interval investment between maturity date of any Escrow Obligation and the next payment date on the Refunded Bonds shall not exceed the yield specified in the Verification Report as last revised.

(b) The obligations in which such proceeds are reinvested shall mature in an amount at least equal to the amounts needed to make the payments as described in Section 4. Any amounts in excess of such payments shall be paid to the Borough.

(c) If such proceeds, together with other funds remaining in trust, are insufficient to reinvest in the smallest denomination of such Substitute Obligations or are required to be used to make payments described in Section 4 sooner than the shortest maturity available for such Substitute Obligations, then those proceeds and funds either shall be converted to United States currency and retained or shall remain uninvested in the refunding escrow and carried on the books of the Escrow Agent until required to make the payments described in Section 4, or until sufficient money is accumulated to permit the investment thereof.

(d) The Escrow Agent may make any and all investments permitted by the provisions of this Section 6 through its own investment department or the investment departments of any of its affiliates.

Section 7. Custody and Safekeeping of Assets. All cash, Escrow Obligations, Substitute Obligations, other investment securities, and investment income deposited with or purchased or received by the Escrow Agent pursuant to this Agreement shall be subject to the trusts created by this Agreement, and the Escrow Agent shall be liable for the preservation and safekeeping thereof; provided, however, the Escrow Agent shall not be responsible for any depreciation in value of or loss on any of the Escrow Obligations or Substitute Obligations.

In the event the maturing principal of and interest on the Escrow Obligations and Substitute Obligations held by the Escrow Agent pursuant to this Agreement shall, with the cash held by the Escrow Agent hereunder, be insufficient or shall be projected to become insufficient to make the payments described in Section 2 hereof, the Escrow Agent shall, to the extent it has actual knowledge thereof, give the Borough prompt notice of such insufficiency or projected insufficiency.

Section 8. Duties and Obligations of the Escrow Agent. The duties and obligations of the Escrow Agent shall be as prescribed by the provisions of this Agreement and the Resolution, and the Escrow Agent shall not be liable except for failure in the performance of its duties and obligations as so specifically set forth and its failure to act in good faith in the performance thereof. No implied duties or obligations (financial or otherwise) shall be incurred by the Escrow Agent.

The Escrow Agent may consult with counsel of its choice, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or not taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

Section 9. Compensation of Escrow Agent. The arrangements heretofore made for the payment to the Escrow Agent of the sum of \$_____ for services rendered by it pursuant to the provisions of this Agreement are satisfactory to it and such payment is inclusive of all fees, compensation and expenses of the Escrow Agent as stated on the fee schedules attached as Schedule D hereto. Such arrangement for compensation and expenses is intended as compensation for the ordinary services as contemplated by this Agreement, and in the event that the Escrow Agent renders any services hereunder not provided for in this Agreement, or the Escrow Agent is made party to or intervenes in any litigation pertaining to this Agreement or institutes interpleader proceedings relative hereto, the Escrow Agent shall be compensated reasonably by the Borough for such extraordinary services and reimbursed for all reasonable fees, costs, and expenses (including the reasonable fees of attorneys) occasioned thereby. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the cash or Escrow Obligations, Substitute Obligations or any other moneys or other assets deposited with, or other investment securities or cash held by, the Escrow Agent for purposes of effecting the redemption or payment of the Refunded Bonds as described above, for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

Section 10. Limitation of Escrow Agent Duties. None of the provisions contained in this Agreement shall require the Escrow Agent to use or advance its own funds in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Escrow Agent shall be under no liability for the payment of

interest on any funds or other property received by it hereunder except to the extent the Escrow Agent is required by the express terms of this Agreement to invest such funds.

The Escrow Agent's obligations in connection with this Agreement are confined to those specifically described herein. The Escrow Agent is authorized and directed to comply with the provisions of this Agreement and is relieved from all liability for so doing, except in the case of negligence or want of good faith on its part, notwithstanding any demand or notice to the contrary by any party hereto. The Escrow Agent shall not be responsible or liable for the sufficiency, correctness, genuineness or validity of the Escrow Obligations or the Substitute Obligations deposited with it; the performance or compliance by any party other than the Escrow Agent with the terms or conditions of any such instruments; or any loss which may occur by reason of forgeries, false representations or the exercise of the Escrow Agent's discretion in any particular manner unless such exercise is negligent or constitutes willful misconduct. If any controversy arises between the Borough and any third person, the Escrow Agent shall not be required to determine the same, but it may institute, in its discretion, an interpleader or other proceeding in connection therewith as it may deem proper, and in the following either course, it shall not be liable. Nothing in this paragraph is intended to create or expand upon any right that the Escrow Agent would otherwise have available to it under applicable law to commence an interpleader action or to alter the obligations of the Escrow Agent under this Agreement.

Section 11. Merger or Consolidation of Escrow Agent. Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be

a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States of America or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Agreement, shall be the successor to the Escrow Agent without the execution or filing of any paper or the performance of any further act.

Section 12. Deposit of Additional Sums by the Borough. The Borough agrees that it will promptly deposit with the Escrow Agent the additional sum or sums of money specified in any Escrow Agent's notice of insufficiency given pursuant to Section 6 hereof.

Section 13. Remission of Funds When Refunded Bonds Paid in Full. At such time as the Escrow Agent shall have received the representation of the Borough that all of the payments described in Section 2 hereof have been made or provided for and the confirmation of such representation by the paying agent for the Refunded Bonds as described above, together with such other evidence of such payment as shall be satisfactory to the Borough and the Escrow Agent in their discretion, the Escrow Agent shall deliver forthwith or remit to the Borough any remaining cash, Escrow Obligations, and Substitute Obligations held pursuant to this Agreement.

Section 14. Notices. All notices, requests or reports required or permitted to be given hereunder shall, until further notice in writing, be given in writing at the following addresses:

To the Borough: Kenai Peninsula Borough
Attention: Finance Director
155 N. Binkley Street
Soldotna, Alaska 99669

To the Escrow Agent: The Bank of New York Trust Company, N.A.
601 Union Street, Suite 520
Two Union Square
Seattle, Washington 98101

Section 15. Amendment. This Agreement may be amended by the parties hereto without notice to or consent of the holders of the Refunded Bonds for any of the following purposes:

- (a) Inserting unintentionally omitted material, correcting mistakes, or clarifying ambiguities;
- (b) Pledging additional security to the holders of the Refunded Bonds;
or
- (c) Providing for the deposit of additional cash or securities with the Escrow Agent.

Section 16. Miscellaneous. This Agreement is governed by Alaska law and may not be modified except by a writing signed by the parties. In the event any one or more of the provisions contained in this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement pursuant to due and proper authorization, all as of the date and year first above written.

KENAI PENINSULA BOROUGH, ALASKA

Craig Chapman
Finance Director

THE BANK OF NEW YORK TRUST COMPANY, N.A.
as Escrow Agent

Authorized Agent

SCHEDULE A

The following bonds (“Refunded Bonds”) are to be refunded with proceeds of the Central Kenai Peninsula Hospital Service Area General Obligation Refunding Bonds, 2007:

Bond Issue	Maturities Refunded	Principal Amount*	Date of Redemption	Redemption Price
Central Kenai Peninsula Hospital Service Area General Obligation Bonds, Series 2003		\$		

* Preliminary, subject to change.

SCHEDULE B

Escrow Obligations

(Attached)

SCHEDULE C

Maturity, Interest and Redemption Price Schedule

(Attached)

SCHEDULE D

Escrow Agent's Fee Schedule

(Attached)