

ESCROW DEPOSIT AGREEMENT
SOUTHEAST ALASKA POWER AGENCY
ELECTRIC REVENUE REFUNDING BOND, SERIES 2019

THIS ESCROW AGREEMENT, dated May __, 2019 (together with any amendments or supplements hereto, called the “Agreement”), is entered into by and between THE SOUTHEAST ALASKA POWER AGENCY (the “Agency”) and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Escrow Agent (together with any successor in such capacity, the “Escrow Agent”). The notice addresses of the Agency and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

WITNESSETH:

WHEREAS, the Agency has issued and there presently remain outstanding the obligations described in Exhibit B (the “Refunded Bonds”), issued under an Indenture of Trust dated as of February 1, 2009 (the “Original Indenture”), between the Agency and Wells Fargo Bank, National Association, as trustee (the “Trustee”); and

WHEREAS, pursuant to Resolution No. 19-_____ adopted on March __, 2019 (the “Bond Resolution”), the Agency has determined to issue its Electric Revenue Refunding Bond, Series 2019 (the “2019 Bond”), to provide funds to pay the costs of refunding the Refunded Bonds, and has authorized an Amended and Restated Indenture of Trust of even date herewith (the “Indenture”) between the Agency and the Trustee, pursuant to which the 2019 Bond is issued; and

WHEREAS, the Escrow Agent has reviewed this Agreement, the Bond Resolution, the Original Indenture, and the Indenture, and is willing to serve as Escrow Agent; and

WHEREAS, pursuant to the Bond Resolution and Indenture, the Refunded Bonds have been designated for redemption prior to their scheduled maturity dates and, after provision is made for such redemption, the Refunded Bonds will come due in the amount and at the time set forth in Exhibit C; and

WHEREAS, the Agency desires that, concurrently with the delivery of the 2019 Bond to the purchaser, the proceeds of the 2019 Bond, together with certain other available funds of the Agency, be applied to purchase direct obligations of the United States of America (hereinafter defined as the “Escrow Securities”) for deposit to the credit of the Refunding Account and to establish a beginning cash balance (if needed) in the Refunding Account; and

WHEREAS, _____, Certified Public Accountants, has prepared a verification report of even date herewith (the “Verification Report”) relating to the sources and uses of funds available to accomplish the refunding of the Refunded Bonds, the investment of such funds, and the adequacy of such funds and investments to provide for the payment of the debt service due on the Refunded Bonds; and

WHEREAS, when cash and the Escrow Securities have been deposited with the Escrow Agent for the payment of all principal of and interest on the Refunded Bonds when due, the

Refunded Bonds will no longer be regarded as outstanding under the Original Indenture except for the purpose of receiving payment from the funds provided for that purpose; and

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which are hereby acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Bonds, the Agency and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

Article 1. Definitions

Section 1.1. Definitions.

Unless the context clearly indicates otherwise, the following terms have the following meanings when they are used in this Agreement:

Escrow Securities means the noncallable Government Obligations described in Exhibit D, or cash or other noncallable obligations substituted therefor pursuant to Section 4.2 of this Agreement.

Government Obligations means direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations - State and Local Government Series, (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

Paying Agent means the Trustee, as the paying agent for the Refunded Bonds.

Refunding Account means the account created by this Agreement to be established, held and administered by the Escrow Agent pursuant to the provisions of this Agreement.

Section 1.2. Other Definitions.

The terms “Agency,” “Agreement,” “Bond Resolution,” “Bonds,” [should this be 2019 Bond? That is definition in 2nd recital?] “Escrow Agent,” “Refunded Bonds,” “Trustee,” and “Verification Report” when they are used in this Agreement, have the meanings given them in the preamble to this Agreement.

Section 1.3. Interpretations.

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and do not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

Article 2. Deposit of Funds and Escrow Securities

Section 2.1. Deposits in the Refunding Account.

Concurrently with the sale and delivery of the 2019 Bond, the Agency will deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Refunding Account, funds sufficient to purchase the Escrow Securities and establish a beginning cash balance, as described in Exhibit D, and the Escrow Agent will, upon the receipt thereof, acknowledge such receipt to the Agency in writing.

Article 3. Creation and Operation of Refunding Account

Section 3.1. Refunding Account.

The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Refunding Account. The Escrow Agent agrees that upon receipt it will deposit to the credit of the Refunding Account the funds and the Escrow Securities described in Exhibit D. Such deposit, all proceeds therefrom, and all cash balances on deposit therein (a) are the property of the Refunding Account, (b) must be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment will be made by timely transfers of those amounts at the times provided for in Section 3.2. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Refunding Account will be transferred to the Agency, and the Escrow Agent will thereupon be discharged from any further duties hereunder.

Section 3.2. Payment of Principal and Interest.

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances on deposit in the Refunding Account the amounts required to pay the principal of the Refunded Bonds at their redemption date and interest thereon to that redemption date in the amounts and at the times shown in Exhibit C.

Section 3.3. Sufficiency of Refunding Account.

The Agency represents that, based upon the information provided in the Verification Report, the receipts of the principal of and interest on the Escrow Securities will assure that the cash balance on deposit **from in** the Refunding Account will be at all times sufficient to provide money for transfer to the Paying Agent at the time and in the amount required to pay the interest on the Refunded Bonds and the principal of the Refunded Bonds on the redemption date, all as more fully set forth in Exhibit E. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Refunding Account are insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2, the Agency will timely deposit in the Refunding Account, from any funds that are lawfully available therefor, additional funds in the amounts required to make those payments. The Escrow Agent will give prompt notice of any such insufficiency, as hereinafter provided, but the Escrow Agent is not in any manner responsible for any insufficiency of funds in the Refunding Account or the Agency's failure to make additional deposits.

Section 3.4. Trust Fund.

The Escrow Agent shall at all times hold in trust the Refunding Account, the Escrow Securities and all other assets of the Refunding Account, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrow Securities or any other assets of the Refunding Account to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Refunding Account only as set forth herein. The Escrow Securities and other assets of the Refunding Account shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Bonds; and a special account shall at all times be maintained on the books of the Escrow Agent. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Agency, and the Escrow Agent shall have no right to title with respect thereto except as an agent and Escrow Agent under the terms of this Agreement.

Article 4. Limitation on Investments

Section 4.1. Investments.

Except for the initial investment in the Escrow Securities, and except as provided in Section 4.2, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrow Securities, or to sell, transfer, or otherwise dispose of the Escrow Securities.

Section 4.2. Substitution of Securities.

At the written request of the Agency, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Refunding Account, or sell, transfer, otherwise dispose of or request the redemption of the Escrow Securities and apply the proceeds therefrom to purchase Refunded Bonds or Government Obligations that do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent receives a written opinion from a firm of certified public accountants that such transaction will not cause the amount of money and securities in the Refunding Account to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the Agency in connection with such transaction; and (b) the Escrow Agent receives the unqualified written legal opinion of the Agency's bond counsel or tax counsel to the effect that such transaction will not cause any of the 2019 Bond or Refunded Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Section 2.1, 3.2 and 4.2 hereof, no withdrawals, transfers or reinvestment shall be made of cash balances in the Refunding Account. Cash balances shall be held by the Escrow Agent in United States currency as cash balances as shown on the books and records of the Escrow Agent and, except as provided herein, shall not be reinvested by the Escrow Agent; provided, however, a conversion to currency is not required (i) for so long as the Escrow Agent's

internal rate of return does not exceed 20%, or (ii) if the Escrow Agent's internal rate of return exceeds 20%, the Escrow Agent receives a letter of instructions, accompanied by the opinion of nationally recognized bond counsel, approving the assumed reinvestment of such proceeds at such higher yield.

Article 6. Redemption of Refunded Bonds

Section 6.1. Call for Redemption.

The Agency hereby irrevocably calls the Refunded Bonds for redemption on their earliest redemption date, as shown in the Verification Report and on Appendix A attached hereto.

Section 6.2. Notice of Redemption/Notice of Defeasance.

The Escrow Agent agrees to give a notice of defeasance and a notice of the redemption of the Refunded Bonds to the Paying Agent for dissemination in accordance with the terms of the Original Indenture and in substantially the forms attached hereto as Appendices A and B to the Paying Agent for distribution as described therein. The notice of defeasance shall be given immediately following the execution of this Agreement, and the notice of redemption shall be given in accordance with the Original Indenture. 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.

Article 7. Records and Reports

Section 7.1. Records.

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrow Securities deposited to the Refunding Account and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

Section 7.2. Reports.

While this Agreement remains in effect, the Escrow Agent semiannually shall prepare and send to the Agency a written report summarizing all transactions relating to the Refunding Account during the preceding year, including, without limitation, credits to the Refunding Account as a result of interest payments on or maturities of the Escrow Securities and transfers from the Refunding Account for payments on the Refunded Bonds or otherwise, together with a detailed statement of all Escrow Securities and the cash balance on deposit in the Refunding Account as of the end of such period.

Article 8. Concerning the Paying Agent and Escrow Agent

Section 8.1. Representations.

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 8.2. Limitation on Liability.

It is the intention of the parties that the Escrow Agent will never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder. The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Bonds is limited to the proceeds of the Escrow Securities and the cash balances from time to time on deposit in the Refunding Account. Notwithstanding any provision contained herein to the contrary, the Escrow Agent has no liability whatsoever for the insufficiency of funds from time to time in the Refunding Account or any failure of the obligors of the Escrow Securities to make timely payment thereon, except for the obligation to notify the Agency promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the 2019 Bond shall be taken as the statements of the Agency and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, unless such exercise is negligent or constitutes willful misconduct.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Agency with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Refunding Account, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Agency or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Agency at any time.

If any controversy arises between the Agency and any third person, the Escrow Agent will not be required to determine the same or to take any action in the premises, but it may institute, in its discretion, an interpleader or other proceedings in connection therewith as it may deem proper, and in following either course, it shall not be liable.

Section 8.3. Compensation.

The Agency will pay to the Escrow Agent fees for performing the services hereunder and for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement pursuant to the terms of the Fee Schedule attached as Appendix C. The Escrow Agent hereby agrees that in no event will it ever assert any claim or lien against the Refunding Account 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 8.4. Successor Escrow Agents.

The obligations assumed by the Escrow Agent under this Agreement may be transferred by the Escrow Agent to a successor if (a) the Escrow Agent present evidence satisfactory to the Agency and to Bond Counsel that the successor trustee is eligible to serve under RCW 39.53.070, as now in effect or hereafter amended; (b) the Agency approves the appointment of the successor escrow agent; (c) the successor escrow agent has assumed all of the obligations of the Escrow Agent under this Agreement and has been compensated; and (d) all Escrow Securities, money, and other assets of the Refunding Account held by the Escrow Agent are duly transferred to the successor escrow agent.

Notwithstanding anything to the contrary contained in this Agreement, 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 the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without approval by the Agency or the execution or filing of any paper or further act, if such company is eligible to serve as Escrow Agent under the Original Indenture.

Article 9. Miscellaneous

Section 9.1. Notice.

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the Agency or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten days prior notice thereof.

Section 9.2. Termination of Responsibilities.

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Agency, the owners of the Refunded Bonds, or any other person or persons in connection with this Agreement.

Section 9.3. Binding Agreement.

This Agreement is binding upon the Agency and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Bonds, the Agency, the Escrow Agent and their respective successors and legal representatives.

Section 9.4. Severability.

In case any one or more of the provisions contained in this Agreement are for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Agreement, but this Agreement will be construed as if the invalid or illegal or unenforceable provision had never been contained herein.

Section 9.5. Washington Law Governs.

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the state of Washington.

Section 9.6. Time of the Essence.

Time is of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 9.7. Notice to Moody's and S&P.

If this agreement or any provision thereof is severed, amended or revoked, the Agency shall provide written notice of such severance, amendment or revocation to Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York, 10007, Attention: Public Finance Rating Desk/ Refunded Bonds and to S&P Global Ratings, 55 Water Street, New York, New York, 10041, Attention: Public Finance Rating Desk/Refunded Bonds.

Section 9.8. Amendments.

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment will be effective unless it is in writing and signed by the parties thereto. No such amendment may adversely affect the rights of the holders of the Refunded Bonds. No such amendment may be made without first receiving written confirmation from the rating agencies (if any) that have rated the Refunded Bonds that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the Refunded Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes must be given to each rating agency that has rated the Refunded Bonds.

EXECUTED as of the date first written above.

SOUTHEAST ALASKA POWER AGENCY

Chief Executive Officer

**WELLS FARGO BANK,
NATIONAL ASSOCIATION**

Authorized Signatory

Exhibit A	-	Addresses of the Agency and the Escrow Agent
Exhibit B	-	Description of the Refunded Bonds
Exhibit C	-	Schedule of Debt Service on Refunded Bonds
Exhibit D	-	Escrow Deposit
Exhibit E	-	Refunding Account Cash Flow
Appendix A	-	Notice of Redemption for the Refunded Bonds
Appendix B	-	Notice of Defeasance for the Refunded Bonds

EXHIBIT A
Addresses of the Agency and Escrow Agent

Agency: The Southeast Alaska Power Agency
1900 First Avenue, #318
Ketchikan, AK 99901
Attention: Trey Acteson

Escrow Agent: Wells Fargo Bank, National Association
Corporate Trust Services
1700 Lincoln Street, 10th Floor
Denver, CO 80203
Attention: Vice President

EXHIBIT B
Description of the Refunded Bonds

The Southeast Alaska Power Agency
Electric Revenue Refunding Bonds, Series 2009
(the “Refunded Bonds”)

Year (June 1)	Amount	Interest Rate	CUSIPs
2021	\$ 2,605,000	4.50%	
2024	2,985,000	5.125	

EXHIBIT C
Schedule of Debt Service on Refunded Bonds

Date	Interest	Principal/ Redemption Price	Total
6/1/2019	\$ _____	\$ _____	\$ _____
TOTAL	\$ _____	\$ _____	\$ _____

EXHIBIT D
Escrow Deposit

I. Cash \$_____

II. Other Obligations

<u>Description</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Yield</u>	<u>Total Cost</u>
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EXHIBIT E
Refunding Account Cash Flow

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Cash Balance
6/1/2019	\$	\$	\$	\$

APPENDIX A

Notice of Redemption*
The Southeast Alaska Power Agency
Electric Revenue Refunding Bonds, Series 2009

NOTICE IS HEREBY GIVEN that The Southeast Alaska Power Agency has called for redemption on June 1, 2019, its then outstanding Electric Revenue Refunding Bonds, Series 2009 (the “Refunded Bonds”).

The Refunded Bonds will be redeemed at a price of 100% of their principal amount, plus interest accrued to June 1, 2019. The redemption price of the Refunded Bonds is payable on presentation and surrender of the Refunded Bonds at the office of:

Wells Fargo Bank, National Association
Corporate Trust Services
1700 Lincoln St., 10th Floor
MAC C7300-107
Denver, CO 80203

Interest on all Refunded Bonds or portions thereof that are redeemed will cease to accrue on June 1, 2019.

The following Refunded Bonds are being redeemed:

Year (Dec 1)	Amount	Interest Rate	CUSIP No.
2021	\$ 2,605,000	4.50%	
2024	2,985,000	5.125	

By Order of The Southeast Alaska Power Agency

Wells Fargo Bank, National Association, as Paying Agent

Dated: _____.

Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the “Act”) unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your Bonds.

* This notice shall be given not more than 60 nor less than 30 days prior to June 1, 2019, by first-class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed at least 30 days prior to June 1, 2019, to The Depository Trust Company, Moody’s Investors Service, S&P Global Ratings, Assured Guaranty Corp., and filed with the Municipal Securities Rulemaking Board.

APPENDIX B

Notice of Defeasance*
The Southeast Alaska Power Agency
Electric Revenue Refunding Bonds, Series 2009

NOTICE IS HEREBY GIVEN to the owners of that portion of the above-captioned bonds with respect to which, pursuant to an Escrow Agreement dated May __, 2019, by and between The Southeast Alaska Power Agency (the “Agency”) and Wells Fargo Bank, National Association (the “Escrow Agent”), the Agency has deposited into an escrow account, held by the Escrow Agent, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money sufficient to pay each year, to and including the respective maturity or redemption dates of such bonds so provided for, the principal thereof and interest thereon (the “Defeased Bonds”). The Defeased Bonds are therefore deemed to be no longer outstanding pursuant to the provisions of the Indenture of Trust dated as of February 1, 2009, between the Agency and Wells Fargo Bank, National Association, pursuant to which the Defeased Bonds were issued, but will be paid by application of the assets of such escrow account.

The Defeased Bonds are described as follows:

Electric Revenue Refunding Bonds, Series 2009 (dated _____ __, 2009)

Year (Dec 1)	Par Amount Defeased	Interest Rate	CUSIP No.
2021	\$ 2,605,000	4.500%	
2024	2,985,000	5.125	

Information for Individual Registered Owner

The addressee of this notice is the registered owner of Bond Certificate No. _____ of the Defeased Bonds described above, which certificate is in the principal amount of \$_____.
_____, 2019

* This notice shall be given immediately by first-class mail to each registered owner of the Defeased Bonds. In addition notice shall be mailed to The Depository Trust Company, Moody’s Investors Service, S&P Global Ratings, Assured Guaranty Corp., and filed with the Municipal Securities Rulemaking Board.