

ESCROW AGREEMENT

SALINAS PUBLIC FINANCING AUTHORITY REFUNDING REVENUE BONDS, (2002 ASSESSMENT DISTRICT REFINANCING), SERIES A SENIOR LIEN BONDS

This ESCROW AGREEMENT (the “Agreement”) is made and entered into and dated as of July 1, 2016, by and among the Salinas Public Financing Authority (the “Authority”), the City of Salinas (the “City”) and The Bank of New York Mellon Trust Company, N.A., a national banking association having a corporate trust office in Los Angeles, California and being qualified to accept and administer the escrow hereby created in its capacities as escrow agent and as Trustee (the “Escrow Agent”).

WITNESSETH:

WHEREAS, pursuant to that certain Indenture of Trust dated as of July 1, 2002 (the “Prior Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”) to BNY Western Trust Company, the Authority authorized the issuance of its Refunding Revenue Bonds, (2002 Assessment District Refinancing), Series A Senior Lien Bonds (the “2002 Bonds”) in the principal amount of \$11,415,000; and

WHEREAS, the 2002 Bonds were secured by payments made on the City of Salinas Bella Vista Reassessment District No. 02-1 Limited Obligation Improvement Bonds (the “Prior 2002 Bonds”), among others; and

WHEREAS, the City has determined to issue its Reassessment District No. 2016 Limited Obligation Improvement Bonds, 2016 Series A (the “Reassessment Bonds”) for the purpose of providing moneys which will be used to optionally redeem or pay at maturity all of the Prior 2002 Bonds maturing on and after September 2, 2016 on September 2, 2016 (the “Redemption Date”) at a redemption price equal to the outstanding aggregate principal amount thereof, together with interest accrued on the Prior 2002 Bonds through the Redemption Date (the “2002 Redemption Price”), as required under the Fiscal Agent Agreement pursuant to which the Prior 2002 Bonds were issued (the “2002 Agreement”); and

WHEREAS, the payment of the 2002 Redemption Price will result in the refunding and defeasance of the 2002 Bonds set forth on Schedule A attached hereto (the “Refunded Bonds”); and

WHEREAS, pursuant to the Prior Indenture, the Refunded Bonds will be redeemed on the Redemption Date upon the payment of the 2002 Redemption Price at a Redemption Price equal to 100% of the outstanding aggregate principal amount thereof, together with interest accrued on the Refunded Bonds through the Redemption Date (the “Redemption Price”); and

WHEREAS, the 2002 Redemption Price shall be held by the Escrow Agent and the Escrow Agent shall deposit such amounts in a special escrow fund to be created hereunder and maintained by the Escrow Agent to effect the defeasance of the Refunded Bonds (the “Escrow Fund”);

NOW, THEREFORE, the Authority, the City and the Escrow Agent hereby agree as follows:

Section 1. Establishment, Funding and Maintenance of Escrow Fund.

(a) Upon issuance of the Reassessment Bonds, the 2002 Redemption Price, totaling \$_____ (consisting of \$_____ of Reassessment Bond proceeds and \$_____ of funds held under the Prior Indenture), shall be deposited into the Escrow Fund upon receipt of such amounts from The Bank of New York Mellon Trust Company, N.A., as fiscal agent for the Reassessment Bonds. The Escrow Agent agrees to establish and maintain the Escrow Fund until the Redemption Price of the Refunded Bonds has been paid in full and to hold the moneys therein at all times as a special and separate escrow fund (wholly segregated from all other securities, investments or moneys on deposit with the Escrow Agent).

(b) The Escrow Agent hereby acknowledges receipt of the verification report of [Causey Demgen & Moore P.C.], certified public accountants, dated July _____, 2016 relating to amounts in the Escrow Fund (the "Verification Report") with respect to the Authority's defeasance of the Refunded Bonds in the manner and to the extent provided in Section 10.01 of the Prior Indenture and Section __ of the Prior Agreement.

Section 2. No Investment of the Escrow Fund. [Amounts in the Escrow Fund shall be held uninvested in cash].

Section 3. Payment of the Refunded Bonds. The Authority hereby requests and irrevocably instructs the Escrow Agent, and the Escrow Agent hereby agrees, to keep the Escrow Fund amounts in the Escrow Fund and to apply such moneys to the payment of the Refunded Bonds at the places and in the manner stipulated in the Refunded Bonds and in the Prior Indenture. The Trustee is hereby notified of the irrevocable election of the Authority to pay on the Redemption Date the Redemption Price of the Refunded Bonds called for redemption on such date. The Authority hereby requests and irrevocably instructs the Trustee to mail a notice of redemption in accordance with the Prior Indenture, which notice instructions shall be substantially in the form set forth in Exhibit A to Schedule B attached hereto. The Authority hereby requests and irrevocably instructs the Trustee to mail a notice that the deposit of moneys has been made with it as Escrow Agent and that the projected withdrawals from the Escrow Fund have been calculated to be adequate to pay the Redemption Price of the Refunded Bonds when due, which notice instructions shall be substantially in the form set forth in Exhibit B to Schedule B attached hereto. Upon payment in full of the Refunded Bonds, the Escrow Agent shall transfer any moneys remaining in the Escrow Fund to the Trustee for disbursement in accordance with the Prior Indenture and this Agreement shall terminate.

The City and the Authority hereby acknowledge that the deposit of the 2002 Redemption Price into the Escrow Fund shall result in the defeasance of the Prior 2002 Bonds and that upon such deposit all prerequisites to the refunding of the Prior 2002 Bonds shall have been satisfied in accordance with the Prior Agreement and any moneys in excess of the amount required for defeasance of the Refunded Bonds as shown in Schedule C hereto shall be released from the Escrow Fund and applied as set forth in Section 1(a) hereof.

Section 4. Possible Deficiencies; Amounts in Excess of Required Cash Balance.

(a) If at any time the Escrow Agent has actual knowledge that the moneys in the Escrow Fund will not be sufficient to make all payments required by Section 3 hereof, the Escrow Agent shall notify the Authority in writing as soon as is reasonably practicable, of such fact, the amount of such deficiency and the reason therefor solely to the extent actually known to it; provided,

however, the Authority shall have no liability for any deficiency and shall not be required to provide funds to eliminate any such deficiency.

(b) The Escrow Agent shall in no manner be responsible for any deficiency in the Escrow Fund.

Section 5. Fees and Costs.

(a) The Authority shall pay to the Escrow Agent from time to time reasonable compensation for all services rendered under this Agreement, and out-of-pocket costs such as redemption expenses, and other costs and expenses relating hereto.

(b) The fees of and the costs incurred by the Escrow Agent shall in no event be deducted or payable from, or constitute a lien against, the Escrow Fund.

Section 6. Merger or Consolidation. 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 eligible under this Agreement, shall be the successor to such Escrow Agent without the execution or filing of any paper or any further act, notwithstanding anything herein to the contrary.

Section 7. Indemnity. To the maximum extent permitted by law, the Authority hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the Authority or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds deposited therein and any payment, transfer or other application of moneys by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the Authority shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the breach by the Escrow Agent of the terms of this Agreement. In no event shall the Authority or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

Section 8. Responsibilities of the Escrow Agent.

(a) The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in this Agreement, and no implied duties or obligations shall be read into this Agreement against Escrow Agent.

(b) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages, even if the Escrow Agent, the Authority or the City knows of the possibility of such damages. The Escrow Agent shall have no duty or responsibility under this Agreement in the case of any default in the performance of the covenants or agreements contained in the resolutions and fiscal agent agreements relating to the 2002 Bonds. The Escrow Agent is not required to resolve conflicting demands to money or property in its possession under this Agreement.

(c) The Escrow Agent may consult with counsel of its own choice, and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action hereunder in accordance with such opinion of counsel.

(d) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein.

(e) The Escrow Agent may become the owner of, or acquire any interest in, any of the 2002 Bonds with the same rights that it would have if it were not the Escrow Agent and may engage or be interested in any financial or other transaction with the Authority and/or the City.

(f) The Escrow Agent shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys deposited with it to pay the prescribed 2002 Bonds.

(g) The Escrow Agent shall not be liable for any action or omission of the Authority or the City under this Agreement.

(h) Whenever in the administration of this Agreement the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of any authorized representative of the City, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered in good faith by it under the provisions of this Agreement.

(i) The Escrow Agent may conclusively rely, as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Agent in compliance with this Agreement and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

(j) The Escrow Agent shall incur no liability for losses arising from any investment made pursuant to this Agreement.

(k) No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

(l) The liability of the Escrow Agent to make the payments required by this Agreement shall be limited to the moneys in the Escrow Fund.

(m) The Escrow Agent shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of supplies or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Escrow Agent.

(n) The Escrow Agent will furnish the Authority and the City periodic cash transaction statements which shall include detail for all investment transactions effected by the Escrow Agent hereunder. Upon the Authority’s or the City’s election, such statements will be delivered to that party via the Escrow Agent’s online service and upon electing such service, paper statements will be provided only upon request. The Authority and the City acknowledge that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant them the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, they specifically waive receipt of such confirmations to the extent permitted by law.

Section 9. Amendments. This Agreement is made for the benefit of the Authority and the City and the owners from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent, the City and the Authority; provided, however, that if the Authority, the City and the Escrow Agent receive an opinion of nationally recognized bond attorneys to the effect that the exclusion from gross income for federal income tax purposes of the interest on the Refunded Bonds and the Refunding Bonds will not be adversely affected thereby, they may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds, securities or properties (but only if the sufficiency of the Escrow Fund for the purpose herein set forth is verified by a nationally recognized firm of independent certified public accountants). The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 9, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 9.

Section 10. Resignation or Removal of Escrow Agent.

(a) The Escrow Agent may resign by giving not less than 30 days’ notice in writing to the Authority and the City, which notice shall be mailed to the owners of the Refunded

Bonds remaining unpaid. The Escrow Agent may be removed (1) by (i) filing with the Authority and the City an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of the Refunded Bonds then remaining unpaid, and (ii) the delivery of a copy of the instruments filed with the Authority to the Escrow Agent, or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Agreement upon application by the Authority or the owners of 5% in aggregate principal amount of the Refunded Bonds then remaining unpaid.

(b) If the position of Escrow Agent becomes vacant due to resignation or removal of the Escrow Agent or any other reason, a successor Escrow Agent may be appointed by the Authority and the City. Notice of such appointment shall be mailed by first class mail, postage prepaid, to the registered owners of the Refunded Bonds. Within one year after a vacancy, the owners of a majority in principal amount of the Refunded Bonds then remaining unpaid may, by an instrument or instruments filed with the Authority and the City, appoint a successor Escrow Agent who shall supersede any Escrow Agent theretofore appointed by the Authority and the City. If no successor Escrow Agent is appointed by the Authority or the owners of such Refunded Bonds then remaining unpaid, within 45 days after any such resignation or removal, the Escrow Agent may petition the appropriate court having jurisdiction for the appointment of a successor Escrow Agent. The responsibilities of the Escrow Agent under this Agreement will not be discharged until a new Escrow Agent is appointed and until the cash and investments held under this Agreement are transferred to the new Escrow Agent.

Section 11. Termination. Upon final payment in full of the principal of and interest on the 2002 Bonds pursuant to this Agreement, all obligations of the Escrow Agent under this Agreement shall cease and terminate, except for the obligation of the Escrow Agent to pay or cause to be paid to the owners of the 2002 Bonds not presented for payment all sums due thereon and the obligation of the Authority to pay to the Escrow Agent any amounts due and owing to the Escrow Agent hereunder. This Agreement may not be amended or modified in any manner which is materially adverse to the Owners of the 2002 Bonds without the unanimous prior written consent of the Owners of the 2002 Bonds.

Section 12. Notices. Any notices required to be given to the City or the Authority under this Agreement shall be mailed, first class, or personally delivered or delivered by courier, overnight mail, facsimile or electronic transmission to the Finance Director at 200 Lincoln Avenue, Salinas, California 9_____, and all notices to the Escrow Agent shall be mailed, first class, or personally delivered to the Fiscal Agent at The Bank of New York Mellon Trust Company, N.A.,

_____.

Section 13. Severability. If any section, paragraph, sentence, clause or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Agreement.

Section 14. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 15. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 16. Definitions. Any capitalized term used but not otherwise defined in this Agreement shall have the meaning assigned to such term in the Prior Indenture.

Section 17. Assignment. This Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the Authority and the City.

Section 18. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in which the principal office of the Escrow Agent is located are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement; and no interest shall accrue for the period from and after such nominal date.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Salinas Public Financing Authority, the City of Salinas and The Bank of New York Mellon Trust Company, N.A. have caused this Agreement to be executed each on its behalf as of the day and year first above written.

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

By: _____
Authorized Officer

SALINAS PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

CITY OF SALINAS

By: _____
City Manager

SCHEDULE A
REFUNDED BONDS

<i>Payment Date</i>	<i>Rate</i>	<i>Principal</i>
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SCHEDULE B

**FORM OF IRREVOCABLE INSTRUCTIONS AND
REQUEST TO TRUSTEE**

_____, 2016

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

\$11,415,000

**SALINAS PUBLIC FINANCING AUTHORITY
REFUNDING REVENUE BONDS, (2002 ASSESSMENT DISTRICT REFINANCING), SERIES
A SENIOR LIEN BONDS
(the "Refunded Bonds")**

Ladies and Gentlemen:

As Trustee under that certain Indenture of Trust dated as of July 1, 2002, between the Salinas Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, you are hereby notified of the irrevocable election of the Salinas Public Financing Authority to defease all of the outstanding Refunded Bonds and to redeem on September 2, 2016 all of the Refunded Bonds maturing on and after September 2, 2016.

You are hereby irrevocably instructed to mail, as soon as practicable, a notice to the holders of the Refunded Bonds, substantially in the form set forth in Exhibit A hereto, that the deposit of moneys has been made into an escrow fund with The Bank of New York Mellon Trust Company, N.A., as trustee for the Refunded Bonds, and that the projected withdrawals from such fund have been calculated to be adequate to pay the principal, redemption price and interest due on the Refunded Bonds to and including the date for redemption.

SALINAS PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

Receipt acknowledged:

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

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF REDEMPTION OF OUTSTANDING

**SALINAS PUBLIC FINANCING AUTHORITY
REFUNDING REVENUE BONDS, (2002 ASSESSMENT DISTRICT REFINANCING),
SERIES A SENIOR LIEN BONDS**

[TO BE INSERTED]

NOTICE OF DEFEASANCE OF OUTSTANDING

**SALINAS PUBLIC FINANCING AUTHORITY
REFUNDING REVENUE BONDS, (2002 ASSESSMENT DISTRICT REFINANCING),
SERIES A SENIOR LIEN BONDS
(the “Refunded Bonds”)**

<u>CUSIP</u>	<u>Maturity</u> <u>(September 2)</u>	<u>Rate</u>	<u>Amount</u>	<u>Redemption</u> <u>Price</u>
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Notice is hereby given to the holders of the above-captioned Bonds (the “Refunded Bonds”) that there has been deposited with The Bank of New York Mellon Trust Company, N.A., as Escrow Agent, as permitted by Section 10.01 of that certain Indenture of Trust dated as of July 1, 2002 (the “Indenture”), by and between the Salinas Public Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), (i) moneys which will be sufficient and available to pay on September 2, 2016 the payment of interest then due on the Refunded Bonds and redeem on September 2, 2016 the Refunded Bonds maturing on and after September 2, 2016 at the redemption price set forth above; and (ii) the Trustee has been irrevocably instructed to redeem such outstanding Refunded Bonds on September 2, 2016.

The Authority has previously instructed the Trustee to mail a notice of redemption for the Refunded Bonds in accordance with the terms of the Indenture.

All obligations of the Authority under the Indenture with respect to the Refunded Bonds have ceased and terminated except as set forth in Section 10.01 of the Indenture.

As a result of the defeasance of the Refunded Bonds, the Continuing Disclosure Agreement (the “Disclosure Agreement”) dated as of July 1, 2002, by and between the Authority and _____, as dissemination agent, has terminated. Accordingly, all obligations of the Authority under the Disclosure Agreement have been terminated and the Authority shall no longer file annual reports or notices of significant events in connection with the Refunded Bonds.

Dated this __th day of _____, 2016.

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,
as Trustee**

SCHEDULE C

ESCROW CASH FLOW

<i>Period Ending</i>	<i>Principal Due</i>	<i>Accrued Interest</i>	<i>Principal Redeemed</i>	<i>Redemption Premium</i>	<i>Escrow Requirement Total</i>
September 2, 2016	\$	\$	\$	\$	\$