

# PACE Program Report and Handbook

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**History of Amendments**

<b>Action</b>	<b>Date</b>
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## 1 Introduction

The California Municipal Finance Authority's ("CMFA") Property Assessed Clean Energy ("PACE") program (the "Program") was enabled pursuant to Assembly Bill 811, which was approved by the California State Legislature in July 2008 and codified as Chapter 29 of the Improvement Act of 1911, commencing with Section 5898.10 of the California Streets & Highways Code ("Chapter 29").

PACE programs are an innovative way to finance or refinance the installation of distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, electric vehicle charging infrastructure, seismic strengthening improvements and such other work, infrastructure or improvements as may be authorized by law from time to time that are permanently fixed to real property ("Authorized Improvements"). Interested residential and commercial property owners ("Property Owners") enter into a voluntary contractual assessment agreement with the CMFA (the "Assessment Contract") to receive up to 100% project financing. Upon execution of the Assessment Contract and completion of other applicable Program requirements, a contractual assessment (each, an "Assessment") is levied on each participating property in the amount necessary to finance the installation of the Authorized Improvement(s) over a period of time not to exceed 39 years (typically, 5-30 years) that will not exceed the useful life of the Authorized Improvement(s), and to pay corresponding financing and administration costs related to the Program. Each year, Assessment installments are collected by the applicable county on the participating Property Owner's property tax bill.

The Program has been established for CMFA members to assist Property Owners in financing Authorized Improvements. The Program facilitates financing for Property Owners in participating areas by issuing bonds secured by the Assessments. The Program has engaged multiple program administrators (each, a "Program Administrator" and together, the "Program Administrators") responsible for administration of the Program. Such Program Administrators may purchase the bonds issued by the CMFA to provide capital for the Program to finance the eligible improvements. Program Administrators, in turn, work with local contractors that specialize in the installation of Authorized Improvements,

thereby ensuring fair pricing, controlling quality for consumers, utilizing existing incentive programs, and ensuring compliance with local regulations.

This CMFA Program Report and Handbook (this “Program Handbook”) outlines the basic design and financing structure of the Program, and constitutes the report required pursuant to Section 5898.22 of Chapter 29.

## 2 Maximum Financing Amount for Program

The maximum aggregate dollar amount of the principal component of voluntary contractual assessments to be levied under the Program is \$50 billion, which amount is subject to increase if there is sufficient demand.

Applications from Property Owners for financing under the Program will be considered on a first come, first served basis. If the authorized maximum aggregate dollar amount is exceeded, then the last property that caused such authorized maximum aggregate dollar amount to be exceeded will be ineligible for financing under the Program. Once \$48 billion of Authorized Improvements have been financed, applications will receive a time stamp in order to evidence priority.

## 3 Future Program Changes

The CMFA reserves the right to change the Program and its terms at any time; however, any such change will not affect a Property Owner’s existing obligation to pay the contractual Assessment agreed to in an executed Assessment Contract.

## 4 Program Administrators

Program financing is offered to the public through a public/private partnership with one or more Program Administrators. Program Administrators are responsible for originating Program financings while ensuring fair pricing, controlling quality, utilizing existing incentive programs, providing capital, and complying with local regulations. Program Administrators operate independently under the guidelines described in this Program Handbook. Processes and financing rates and terms offered by each Program Administrator may vary. References to Program Administrators in this Program Handbook apply to all

Program Administrators engaged by the Program. A list of active Program Administrators is available online at <http://www.cmfa-ca.com/pace/>.

## 5 Contacts

### 5.1 Program

#### California Municipal Finance Authority (“CMFA”)

Phone (760) 795-9185  
Fax (760) 683-3390  
Email [pace@cmfa-ca.com](mailto:pace@cmfa-ca.com)  
Address 2111 Palomar Airport Rd, Suite 320  
Carlsbad, CA 92011  
Online <http://www.cmfa-ca.com/pace/>

### 5.2 Program Administrators

#### BlueFlame PACE Services, LLC

Phone (760) 615-5028  
Email [info@blueflameenergyfinance.com](mailto:info@blueflameenergyfinance.com)  
Address 6814 Embarcadero Lane  
Carlsbad, CA 92011  
Online [www.bluepace.com](http://www.bluepace.com)

#### Fortifi

Phone (424) 532-5518  
Email [info@fortifi.com](mailto:info@fortifi.com)  
Address 12100 Wilshire Blvd Suite 800  
Los Angeles, CA 90025  
Online [www.fortifi.com](http://www.fortifi.com)

OnPACE Energy Solutions, LLC  
Phone (858)334-5272  
Email [contact@onpaceenergy.com](mailto:contact@onpaceenergy.com)  
Address 1871 Amalfi Drive  
Encinitas, CA 92024  
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Address 731 North Jackson Street, Suite 420  
Milwaukee, WI 53202  
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Samas Capital LLC  
Phone (909) 342-4414  
Email [maarvig@samascapital.com](mailto:maarvig@samascapital.com)  
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San Marcos, CA 92078  
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Twain Community Partners II LLC  
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Email [fran.doherty@twainfinancial.com](mailto:fran.doherty@twainfinancial.com)  
Address 3 E 3<sup>rd</sup> Ave, Suite 200  
San Mateo, CA 94401  
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Greenpace Capital LLC  
Phone (714) 509-0238

Email info@greenpacecapital.com  
Address 395 Second Street  
Laguna Beach, CA 92651  
Online [www.greenpacecapital.com](http://www.greenpacecapital.com)

## 6 Criteria for Determining Underwriting Requirements; Program Eligibility Requirements

In order to receive financing through the Program, the property to be assessed and the Property Owner(s) must meet certain criteria specified below (as such criteria may be modified from time to time without further action by the Board of the CMFA as long as the criteria remain consistent with the requirements of Chapter 29.) The criteria are designed to ensure that the financed Authorized Improvements are consistent with Chapter 29 and that voluntary contractual Assessments are likely to be repaid when due. The eligibility requirements described herein are the minimum requirements to qualify for financing offered by the Program. Program Administrators may at their own discretion require additional criteria to qualify for financing. Additional program eligibility requirements are included in the CMFA PACE Consumer Protection Policies.

### 6.1 Properties

To be eligible, the subject property must pay property taxes and meet the requirements as set forth below:

#### 6.1.1 Geography

The subject property must be located within the Program boundaries. The property must be within a city (if the property is located in a city's incorporated territory) or within a county (if the property is located in a county's unincorporated territory) that (a) has been added to the Program in compliance with Chapter 29, (b) is a member of the CMFA (a boundary map showing the boundaries of the current members of the CMFA is attached hereto as Exhibit A) and (c) has adopted a resolution authorizing the CMFA to undertake the Program within its boundaries in compliance with applicable law. The Board of the CMFA shall not need to approve an amendment to this Program Handbook in order for the boundary map(s) to be updated. A current list of cities and counties participating in the CMFA PACE Program can be found at <http://www.cmfa-ca.com/pace/>.



### 6.1.2 Property Tax Status

With respect to residential and commercial properties, the property owner must current on all mortgage debt on the subject Property, and has no more than one late payment during the 12-months immediately preceding the application date and the late payment did not exceed 30 days past due.

### 6.1.3 Equity

In the context of a residential property, all mortgage-related debt on the Property, plus the total financed PACE assessment may not exceed ninety-seven percent (97%) of the market value of the property. In the context of a commercial property, the amount financed by the Program may not exceed fifty percent (50%) of the subject property's market value.

### 6.1.4 Maximum Assessment

The financing may not exceed (i) fifteen percent (15%) of the market value of the Property, up to the first seven hundred thousand dollars (\$700,000) of the Property's market value, and (ii) ten percent (10%) of the remaining value of the Property above seven hundred thousand dollars (\$700,000) minus any PACE assessment on the Property.

### 6.1.5 Safeguards to Ensure that the Total Annual Property Tax and Assessments on the Property will not Exceed 5% of the Property's Market Value

The Program Administrator will confirm that the total annual property tax and assessments on any subject property will not exceed five percent (5%) of the subject property's market value, as determined at the time of approval for the Property Owner's contractual Assessment.

### 6.1.6 Bankruptcy

The property owner has not been a party to any bankruptcy proceedings within the last seven years, except that the property owner may have been party to a bankruptcy proceeding that was discharged or dismissed between two and seven years before the application date and the property owner has had no payments more than 30 days past due on any mortgage debt or nonmortgage debt, excluding medical debt, during the 12 months immediately preceding the application date.

### 6.1.7 Liens

There shall be no involuntary liens greater than one thousand dollars (\$1,000) on the subject property (i.e. liens placed on the property for failure of the owner to

comply with a payment obligation). The subject property shall have no delinquent federal or state tax obligations greater than one thousand dollars (\$1,000). Prohibited liens do not include community facilities district assessments or other financing district liens placed on all properties in that particular financing district. Any non-mortgage-related debt may be subject to review.

Payment Arrangement exception:

If any of the above-mentioned liens exist, the Property Owner may provide documentation of a payment arrangement with a term of less than 12 months to satisfy this requirement, provided however that the sum of the lien balance and mortgage balance conforms to the Equity requirements described herein.

#### 6.1.8 New Construction

Except as otherwise provided in Chapter 29, the Program may not be used to finance facilities for parcels in connection with the initial construction of a residential building, unless the initial construction is undertaken by the intended owner or occupant. New construction of commercial and industrial properties is eligible for Program financing.

#### 6.1.9 Mobile & Manufactured Homes

Mobile homes and manufactured homes are eligible if the homes are permanently attached to the real property, and if the mobile/manufactured home owner(s) also own the underlying land and pay real property taxes (not DMV fees).

#### 6.1.10 HOA

Properties within Homeowners Associations (“HOA”) are eligible, subject to HOA restrictions. It is the Property Owner(s) sole responsibility to ensure that the installed products meet all HOA requirements. The Program and Program Administrators are not responsible for any claims made by an HOA. If an HOA requires a Property Owner to remove and or modify any improvements financed by the Program, the Property Owner shall still be responsible for making Payments as agreed in the Assessment Contract.

#### 6.1.11 Commercial Properties

Commercial Properties, defined as (i) a property of which the primary use is not residential or (ii) a property used for multi-family housing with five or more units, are eligible for Program financing provided that the Property Owner must provide written notice of the proposed assessment to any lenders with liens secured by the subject property.

### 6.1.12 Reimbursement of Financing for Approved Measures

6.2 Approved Measures listed in Exhibit B shall be eligible for Program financing or refinancing for a period of three years following the date such improvements are placed in service Property Owners

To be eligible, the Property Owner(s) must meet the following criteria:

#### 6.2.1 Owner of Record

Applicant(s) must be the owner(s) of record according to the property's title records recorded with the applicable participating county.

#### 6.2.2 Mortgage Status

The property owner is current on all mortgage debt on the subject Property, and has no more than one late payment during the 12-months immediately preceding the application date and the late payment did not exceed 30 days past due.

#### 6.2.3 Bankruptcy

The property owner has not been a party to any bankruptcy proceedings within the last seven years, except that the property owner may have been party to a bankruptcy proceeding that was discharged or dismissed between two and seven years before the application date and the property owner has had no payments more than 30 days past due on any mortgage debt or nonmortgage debt, excluding medical debt, during the 12 months immediately preceding the application date.

#### 6.2.4 Approval

All Owners of record must sign the Required Program Documents (as described in the Required Documents sections of this Program Handbook).

#### 6.2.5 Legal Entities

If the property is held in a trust or owned by a legal entity such as a corporation or LLC, the property is eligible for Program participation provided that the applicant(s) produce documentation from the legal entity granting the applicant(s) the authority to enter into such a transaction.

### 6.3 Projects

The Program offers financing for various Authorized Improvements. The initial Authorized Improvements offered through the Program are identified by the Initial Approved Measures Guidelines attached hereto as Exhibit B; the CMFA may update the Approved Measures Guidelines and, accordingly, the list of

Authorized Improvements for financing from time to time. Financing can be used to cover the cost of a project including, but not limited to: products, materials, professional installation, analysis, design, drafting, engineering, permitting, inspections and fees. To be eligible the project must meet the following criteria:

#### 6.3.1 Project Approval

Prior to installation, the Program Administrator must approve each project. To obtain project approval the contractor must define the project's scope, products to be installed, permits required and costs; obtain Property Owner consent and then submit the proposed project for approval to the Program Administrator. Upon receipt of the project request the Program Administrator will determine the project's eligibility for financing. The project's eligibility for financing may be determined based on (A) the use of approved products and (B) a project's capacity to generate renewable energy, make the property energy efficient, conserve water, charge electric vehicles or construct a seismic improvement. If the Program Administrator determines that the project is eligible for financing, a notice to proceed will be sent to the contractor and Property Owner(s).

#### 6.3.2 Approved Products

Products must be approved by a Program Administrator and meet minimum energy production, energy efficiency, water conservation, water efficiency and/or other requirements. Approved Measures Guidelines are attached hereto as Exhibit B, and are available on the Program website, <http://www.cmfa-ca.com/pace/>.

#### 6.3.3 No Used Products

All products and materials must be new at the time of installation. . Used, refurbished or remanufactured products are not eligible for financing.

#### 6.3.4 Permanently Affixed

Products must be permanently affixed to the subject property.

#### 6.3.5 Installation

A licensed contractor that is approved by the Program Administrator must complete all installations. No self-installations are permitted. Installation costs may include, but are not limited to, energy/water audit costs, appraisals, labor, design, drafting, engineering, permit fees, and inspection charges.

#### 6.3.6 Installation Warranty

Contractors must provide a reasonable warranty as determined by a Program Administrator for all work performed.

#### 6.4 Contractors

Only contractors that have been approved by a Program Administrator may complete projects financed by the Program. New contractors may apply to participate in the Program by contacting a Program Administrator and requesting a new contractor application. Upon receiving a completed new contractor application, the Program Administrator will review and determine if the contractor meets the necessary criteria for Program eligibility.

A contractor must meet the following minimum criteria to be approved and register with a Program Administrator:

##### 6.4.1 Good Standing

Contractor must be in good standing with the California State License Board (“CSLB”).

##### 6.4.2 Qualified to Install

Contractors may only perform work for which they have the appropriate CSLB license.

##### 6.4.3 Insured & Bonded

Contractors must have general liability and workers compensation insurance and are required to carry a bond that adequately protects the Property Owner for the project costs.

#### 6.5 Third Party Transactions

The Program may be used in conjunction with third party transactions including, but not limited to, Leases and Power Purchase Agreements, the payments under which may be prepaid in whole or in part, subject to the requirements of Chapter 29.

#### 6.6 PACE Assessment Refinancing

The Program may be used to refinance existing PACE Assessments.

## 6.7 Consumer Protections

The Program must operate in compliance with the Board approved CMFA PACE Consumer Protection Policies.

## 7 Financing Terms, Costs and Fees

This section contains the general fees and terms of the financing offered by the Program. The costs of issuing bonds and administering the Program will be financed through participant application fees, bond proceeds and an administrative component of the contractual Assessments. Program Administrators may apply additional terms, rates and fees to each Assessment as specified in the financing documents and provided to the Property Owner upon application approval. A form of the Assessment Contract, which specifies the terms and conditions that would be agreed to by a Property Owner and the CMFA, is attached as Exhibit C. Substantially similar forms of the Assessment Contract may be used by the Program Administrators, subject to approval by the CMFA.

### 7.1 Minimum Assessment Amount

The minimum residential Assessment amount is five thousand dollars (\$5,000). The minimum non-residential Assessment amount is one million dollars (\$1,000,000).

### 7.2 Maximum Assessment Amount

The maximum residential Assessment amount is two hundred thousand dollars (\$200,000), although Program Administrators may at their own discretion approve amounts over two hundred thousand dollars (\$200,000) on a case-by-case basis. Assessments over two hundred thousand dollars (\$200,000) require lender notification. There shall be no maximum Assessment amount for non-residential and industrial properties. The maximum residential and non-residential Assessment amounts are also subject to the limitations set forth in Section 6.1.4 of this Program Handbook.

### 7.3 Maximum Interest Rate

Interest rates may be up to the maximum rate allowed by law in the subject property's jurisdiction.

#### 7.4 Financing of Costs and Fees

In addition to financing the eligible improvements, the CMFA will finance the following, which will be included in the Assessments:

##### 7.4.1 Recording Fee

The recording fee is a one-time fee used to record the Recording Documents (defined below) at the county recorder's office.

##### 7.4.2 Initial Administrative Fee

The initial administrative fee is a one-time fee used for expenses associated with administration of the Program and issuance of the bonds, including closing fees paid to the CMFA, fees paid to other entities responsible for Program administration and management, fees of issuer and bond counsel to the CMFA, trustee fees, as well as other related costs of issuance of any bond.

##### 7.4.3 Annual Ongoing Administrative Fee

The annual ongoing administrative fee is used for ongoing administrative expenses incurred by the Program in connection with collecting Assessments and the administration and management of the Program.

##### 7.4.4 Reserve Deposit

Program Administrators may require property owners to finance a deposit to a reserve fund or account, which would be used to pay debt service on a related series of bonds in the event of contractual Assessment installment delinquencies. The amount of such deposit, if any, will be provided in the financing documents.

##### 7.4.5 Interest Before First Payment (Capitalized Interest)

An amount equal to the interest accruing from the Bond Issuance Date for a period of time that does not exceed the period specified in Chapter 29 may be added to the principal balance of the Assessment.

##### 7.4.6 Third Party Expenses

Costs, fees and other expenses associated with third party financings including but not limited to leases and power purchase agreements.

##### 7.4.7 Refinancing Expenses

Costs and expenses associated with refinancing activities, including but not limited to principal repayment, processing fees, accrued interest and prepayment penalties.

#### 7.4.8 Results of Consultations with the County Auditors/Controllers

The CMFA will add to each property's annual contractual assessment installments the amounts charged for that year by the applicable county for collecting voluntary contractual assessment installments on the property tax bill.

#### 7.4.9 Additional Fees

Additional fees may be applied to each Assessment as specified in the financing documents and provided to the Property Owner upon application approval.

#### 7.5 Terms

The Program offers financing terms of up to thirty-nine (39) years. The financing term may not exceed the "useful life" of the installed Authorized Improvement. The Program Administrator determines the useful life and maximum financing term offered for each Assessment.

#### 7.6 Prepayment

Assessments can be prepaid in full at any time and may or may not be subject to a prepayment penalty. Any prepayment penalties will be identified in the Assessment Contract.

#### 7.7 Repayment

Property Owners will repay the principal, interest and applicable fees over the financing term as agreed to and specified in the Assessment Contract. Except as otherwise approved by the CMFA, payment will be billed and paid as a line item on the property tax bill. Failure to repay as agreed will result in additional interest and penalties and may result in foreclosure and sale of the subject property.

### 8 Quality Control

Program Administrators may at their own discretion conduct the following quality control procedures to ensure that any projects financed by the Program meet the Program and Program Administrator's eligibility requirements:

#### 8.1 Inspection

Residential Program Administrator shall schedule an on-site validation visit by an independent third-party inspector to confirm that the approved Eligible Product was fully and permanently installed before loan proceeds have been disbursed.



## 8.2 Building Permits

If Building Permits are required for a project, the Program Administrator may cause the Property Owner to furnish a copy of the approved permit. Property Owners are responsible for obtaining any required permits and should speak to their contractor to determine if a project requires a permit prior to submitting a financing request. If permits are required, finalized permit documentation must be submitted with the Completion Certificate (as defined below).

## 9 Required Documents

The following documents are required for financing by the program. A description of each document is as follows:

### 9.1 Financing Documents

The following individual documents are included in the Financing Documents:

#### 9.1.1 Application

To be submitted at the beginning of the process, used by the Program Administrator to determine eligibility and approval amount.

#### 9.1.2 Assessment Contract

A contract between the Property Owner(s) and the CMFA to provide financing for approved projects. The Assessment Contract specifies the terms and conditions that would be agreed to by a Property Owner and the CMFA. A form of Assessment Contract is attached as Exhibit C.

#### 9.1.3 Project Definition

A document describing the scope, products and costs of each project being financed in the Assessment Contract.

#### 9.1.4 Financing Estimate and Disclosure

A document prescribed by Chapter 29 that shall be completed and delivered to a residential Property Owner before the Property Owner consummates an Assessment. Such Financing Estimate and Disclosure shall describe the products, financing costs and certain other considerations set forth in Section 5898.17 of Chapter 29.

#### 9.1.5 Right to Cancel

The property owner is given the right to cancel the contractual assessment on or before midnight of the third business day after all property owners sign the financing documents, in accordance with SB 242 and AB 2693.

#### 9.1.6 Completion Certificate

A Document signed by the Contractor and Property Owner upon acceptable completion of each project; submitted to the Program Administrator upon completion of each project.

The Completion Certificate must be submitted with the following documents:

- A final invoice from all contractor(s)
- A Bill of Sale
- If required by the jurisdiction, a signed finalized permit from the appropriate city or county building department for all permitted Authorized Improvements
- If no building permits are required for any of that contractor's installed Authorized Improvements, the participating contractor's Business license for the city or county
- Conditional Lien Release
- In the case of PV Solar a signed interconnection agreement with the appropriate utility
- Evidence of third party inspection

#### 9.2 Recording Documents

The following documents are recorded with the participating county as public record.

##### 9.2.1 Notice of Assessment

A notice of the existence and amount of an Assessment that shall be recorded with the county recorder of the county in which the subject property is located.

##### 9.2.2 Payment of Contractual Assessment Required

A notice meeting the requirements of Section 5898.24(d) that shall be recorded in the office of the county recorder for the county in which the subject property is located concurrently with the Assessment Contract.

### 9.3 Additional Documents

The Program Administrator may at its own discretion require additional documents for Program financing.

### 9.4 Public Agency Official

The CMFA will, from time to time, authorize certain representatives to execute Assessment Contracts on its behalf. Each member of the Board of Directors of the CMFA is authorized to execute Assessment Contracts.

Address: California Municipal Finance Authority  
2111 Palomar Airport Road, Suite 320  
Carlsbad, CA 92011  
Phone: (760) 795-9185  
Email: pace@cmfa-ca.com

## 10 General Terms & Conditions

### Agree to All Program Terms

By execution of the Financing Documents, each executing Property Owner certifies that they have read, understood and agreed to the terms of the Program as outlined in this Program Handbook in addition to the terms of the Assessment Contract. Property Owner also thereby certifies that the Property Owner(s), the property, and the products meet all Program eligibility requirements.

### Property Owner Representations

By submitting an application the Property Owner represents that he, she or it:

- Is the legal Property Owner;
- Has the authority to install the approved products on the property;
- Has received a copy of this Program Handbook;
- Is authorizing the Program Administrator to obtain credit information;

### Inspection

The Program and Program Administrators reserve the right to inspect any and all products financed by the Program at any time during installation or the term of the Assessment.

## Rebates and Incentives

Federal, state, or local laws or rebate programs may change at any time. The Program and Program Administrators are not liable for any loss of or change in a rebate or tax credit. Property Owners should consult with their tax advisors and/or accountants as to the applicability of any federal tax credits to their personal tax situation.

## Tax Matters

The Program and Program Administrators do not offer any tax advice or related services. Property Owners should consult with a qualified tax advisor or accountant on any tax matters, including prospective deductions of any part of the Contractual Assessment.

## Fraudulent Activity

Any misrepresentations made to the CMFA, the Program or Program Administrator by a Property Owner or Contractor at any time may cause the Property Owner and/or the Contractor to be terminated from the Program and may result in legal action.

## Renewable Energy Certificates

Renewable Energy Certificates (“RECs”) and all related green attributes associated with a project financed by the Program shall be retained or assigned as set forth in a program administration agreement between the CMFA and the Program Administrator for such project.

## Marketing Guidelines

Use of any trademarks, logos or other branding collateral owned by the CMFA or its Program Administrators requires prior written approval.

## Collection & Use of Data

By submitting a Program application, Property Owner agrees that the Program Administrator may disclose his or her personal information to Program staff, and that the Program Administrator and Program staff may disclose that information to third parties when such disclosure is essential to the conduct of the Program Administrators’ or its member agencies’ business or to provide services to

Property Owner, including, but not limited to, where such disclosure is necessary to (i) comply with the law, legal process or regulators, (ii) enable the Program Administrator or the Program staff or third parties to provide services to Property Owner and to otherwise perform their duties, and (iii) obtain and provide credit reporting information.

In order to receive funding for this Program and to enable communication regarding the State of California's rebate program, Property Owner consents to the release of his or her name and contact information to the California Solar Initiative or the utility solar rebate program operated by the local utility. Property Owner further agrees to the release of his or her name and contact information and the subject property's utility usage data for twelve (12) months before installation of the improvements and throughout the financing term, from the local utility company to the Program Administrator, Program staff, its grantors, and its designated contractors for the purpose of conducting surveys and evaluating the Program and its impact. In addition, Property Owner understands that the CMFA is a public agency which, in certain circumstances, may have an obligation to release information under the California Public Records Act or pursuant to court order.

#### No Endorsement

The Program and Program Administrator offer no endorsement of the contractors, products, or product claims of economic value, warranty, energy savings, safety or reliability of the products.

#### Prepayments

Early pre-payment of the assessment may result in pre-payment penalties as set forth in the Assessment Contract.

#### Defaults on Assessment Payments

After written notification, defaults in payment of Assessments will result in the initiation of foreclosure proceedings.

#### Releases and Indemnification

By submitting a Program application, Property Owner thereby acknowledges that the CMFA has established the Program solely for the purpose of assisting the

Property Owners in the CMFA participating jurisdictions with the financing of approved products and that the CMFA, Program Administrators, its member agencies and Program staff, including their officers, directors, employees and agents, have no responsibility of any kind for, and shall have no liability of any kind arising out of, the installation, operation, financing, refinancing or maintenance of the products. Property Owner agrees that Property Owner and his or her successors in interest to the fee simple title in the subject property shall be solely responsible for the installation, operation, financing, refinancing or maintenance of the products. Participation in the Program does not in any way obligate the CMFA, Program Administrators, its member agencies and Program staff, including their officers, directors, employees and agents, to guarantee or ensure the performance of any products. Property Owner thereby acknowledges that the subject property will be responsible for payment of the contractual assessment regardless of whether the products are properly installed or operate as expected.

Property Owner also agrees to release, defend, indemnify, and hold harmless the CMFA, Program Administrators, its member agencies and Program staff, including their officers, directors, employees and agents, from and against any claims, actions, demands, costs, damages or lawsuits, including the payment of attorneys' fees and cost of court, arising out of or in any way connected with his or her participation in this Program, including, without limitation, the installation, maintenance or repair of the products or compliance with any applicable federal, state or local laws.

#### Property Owner Is Responsible for Products, Permits and Inspections

The Property Owner is solely responsible for all products installed on his or her property, including the selection of any contractor(s), energy auditor(s), or equipment, including manufacturers. Any performance related issues are the responsibility of the Property Owner and the Property Owner's contractor(s). Neither the CMFA, Program staff, including their officers, directors, employees and agents nor the Program Administrator is responsible for the performance of the products. ***The CMFA and the Program Administrators disclaim any express or implied warranty of merchantability or fitness for a particular purpose in connection with the Property Owner's purchase or installation of any product under the Program.***

Completion of all city and county permitting and inspections are the responsibility of the Property Owner. The Program Administrator will require a copy of the final approved permit to submit a Completion Certificate.

## Dispute Resolution

### Signed Assessment Contract:

The parties who have signed an Assessment Contract for the Program shall attempt in good faith to promptly resolve any dispute arising out of or relating to any Assessment Contract under the Program by negotiations between the Program Administrator or his or her designated representative and the Property Owner. Either party must give the other party or parties written notice (sent by certified mail) of any dispute. Within thirty (30) calendar days after delivery of the notice, the Program Administrator, and the Property Owner shall meet at a mutually acceptable time and place, and shall attempt to resolve the dispute. If the matter has not been resolved within thirty (30) calendar days of the first meeting, any party may pursue other remedies, including mediation. All negotiations and any mediation conducted pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations, to which Section 1152.5 of the California Evidence Code shall apply, and Section 1152.5 is incorporated herein by reference. Each party is required to continue to perform its obligations under the Assessment Contract pending final resolution of any dispute arising out of or relating to the Assessment Contract. If a meeting and mediation is unsuccessful, the matter will be submitted to arbitration. The parties will mutually select an arbitrator. The arbitration will be decided using so-called “baseball arbitration” or “best last offer” where the arbitrator may only choose one of the final two offers.

### No Signed Assessment Contract:

Property Owners who wish to dispute decision(s) made by the Program or Program Administrator, but who have not signed a formal Assessment Contract, shall use a similar process. Written notice must be sent by certified mail to the Program Administrator at the Address indicated in the Contact section of this Program Handbook. The notice must identify the issue(s) for resolution, the circumstances that surround the issue(s), the section in the Handbook that the issue(s) pertain(s) to, and a timeline of events. Within thirty (30) calendar days after delivery of the notice, the Program Administrator with the Property Owner, and shall attempt to resolve the dispute. The Program Administrator shall render

a written decision in 30 calendar days and send that decision to the Property Owner. The decision of the Program Administrator is final.

## 11 Definitions

### Application Date

The Date that a Program Administrator receives an Application for financing.

### Recording Date

The Date that that the recordation of the Recording Documents is confirmed by the County.

### Bond Issuance Date

The Date of issuance of the Bond secured by the Assessment.

### First Payment Date

The date that the first installment payment is due for an Assessment pursuant to the applicable Assessment Contract.

### Program Administrator

The Program Administrators listed in Section 5 are responsible for administration of the Program and management of the process to ensure that Assessments are made according to Program eligibility requirements.

### Property Owner

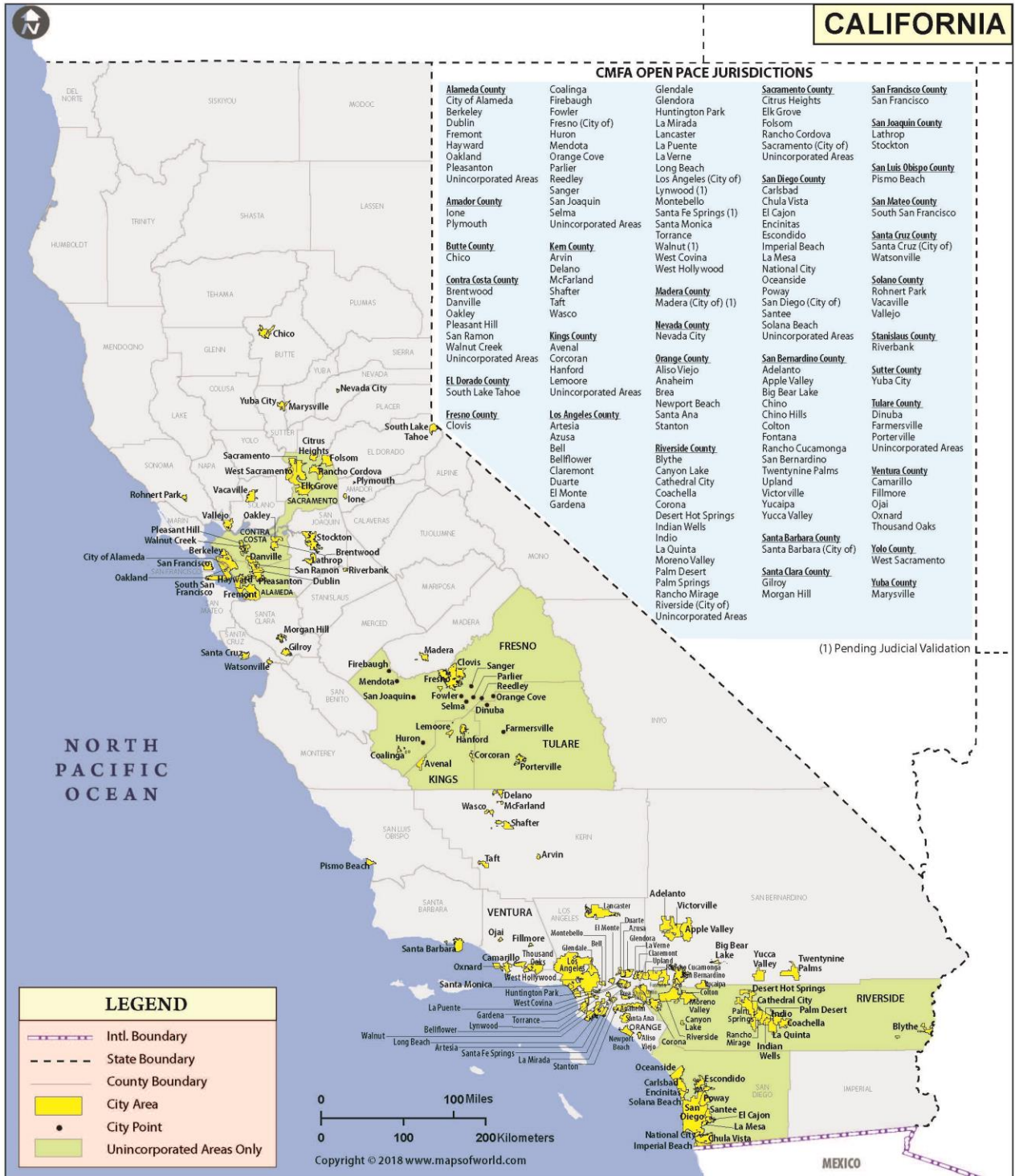
A Property Owner is the owner of record as determined by the official County records. A Property Owner may be a person or entity. In the case of entity ownership, Property Owner may also be used to describe a required signatory for the Financing Documents.



# EXHIBIT A

## Boundary Map of CMFA PACE Program

A current list of CMFA Approved PACE Jurisdictions can be found on the CMFA website at: <http://www.cmfa-ca.com/cmfa-pace-approved-jurisdictions>



# EXHIBIT B

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## Approved Measures Guidelines

### 1 Renewable & Alternative Energy Products

#### 1.1 Solar Photovoltaic

Product Type	Eligibility Specifications
Solar Panel	Product must be listed as California Energy Commission as SB1-compliant product
Solar Photovoltaic System	Product must be on California Solar Initiative Eligible Products list.
Solar Inverter	Product must be listed as California Energy Commission as SB1-compliant product

#### 1.2 Solar Thermal

Product Type	Eligibility Specifications
Solar Water Heating	System must have the OG-300 System Certification by the Solar Rating and Certification Corporation (SRCC) Product must comply with Title 24.
Solar Pool Heating	Product must have the OG-100 Collector Certification by the Solar Rating and Certification Corporation (SRCC)

### 1.3 Alternative Energy

Product Type	Eligibility Specifications
Small Wind Turbine	Product must be certified by the Small Wind Certification Council as meeting the requirements of the AWEA Small Wind Turbine Performance and Safety Standard (9.1-2009)
Advanced Energy Storage System	<ol style="list-style-type: none"> <li>1. System must be pre-approved and listed in the E3 Eligible Product Database</li> <li>2. System must have obtained certification from a nationally recognized testing laboratory for one of the acceptable standards:               <ol style="list-style-type: none"> <li>a. UL1973</li> <li>b. UL Subject 9540</li> <li>c. IEC 62842-2</li> <li>d. IEC 62109</li> <li>e. UL 1741</li> <li>f. Other equivalent standard</li> </ol> </li> <li>3. System must maintain roundtrip efficiency <math>\geq 63.5\%</math></li> <li>4. System must carry a minimum 10-year manufacturer warranty</li> </ol>
Electric Vehicle Charging Station	<ol style="list-style-type: none"> <li>1. Product must be certified as meeting the Underwriters Laboratory Subject 2594 Standard Testing for Charging Stations</li> <li>2. Product must be a Level 2 charger with SAE J1772 standard charging plug</li> </ol>
Stationary Fuel Cell Power System	System must be certified as meeting the ANSI/CSA America FC1 standard. Installation must comply with the Standard for the Installation of Stationary Fuel Cell Power Plants (NFPA 853).
Co-Generation System	Commercial Only - Custom Criteria
Hydrogen Fuel Power System	Commercial Only - Custom Criteria
Natural Gas System	Commercial Only - Custom Criteria

#### 1.4 Cogeneration

Product Type	Eligibility Specifications
Micro turbine	Product must meet the eligibility requirements outlined in the current California Self-Generation Incentive Program (SGIP) Handbook.
Internal Combustion Engine	Commercial Only - Custom Criteria
Fuel Cell	System must be certified as meeting the ANSI/CSA America FC1 standard

## 2 Energy Efficiency Products

### 2.1 High-Efficiency Heating Ventilation and Air Conditioning (HVAC)

Product Type	Eligibility Specifications
Air-Source Heat Pump	Product must comply with Title 24.
Central Air Conditioner	Product must comply with Title 24.
Furnace	Product must comply with Title 24.
Evaporative Cooler	Product must comply with Title 24. Product must be permanently affixed to the home.
Boiler	1. Product must be AHRI Certified 2. Efficiency: a. AFUE $\geq$ 85%. Product must comply with Title 24
Geothermal Heat Pump	Product must comply with Title 24.
Hydronic Radiant Heating	System must be powered by one of the following high-efficiency heating sources: a. Boiler (AFUE $\geq$ 85%) b. Gas Storage Water Heater (EF $\geq$ 0.67) c. Gas Tankless Water Heater (EF $\geq$ 0.90) d. Electric Heat Pump Water Heater (EF $\geq$ 2)
Mini-Split Air Conditioner	1. Product must be AHRI certified 2. Efficiency: a. SEER $\geq$ 15
Mini-Split Heat Pump	1. Product must be AHRI certified 2. Efficiency: a. SEER $\geq$ 15 b. HSPF $\geq$ 8.5
Biomass / Wood Stove	Product must be certified and listed on the EPA Certified Wood Stoves list
Duct Replacement	Product must comply with Title 24.
Heat/Energy Recovery Ventilator	Product must be certified by the Home Ventilation Institute (HVI)
Exhaust Ventilation Fixture	Product must be ENERGY STAR Certified
Whole House Fan	Product must be listed in California Energy Commission Appliance Efficiency Database
Attic Ventilation Fixture	Product must be equipped with a thermostat control
Ceiling Fan	Product must be ENERGY STAR Certified

Energy Efficient Refrigeration System	Product must comply with Title 24. Product must be permanently affixed to the home.
Pellet Stove	Product must be on the List of EPA Certified Wood Stoves.

## 2.2 Windows Doors and Skylights

Product Type	Eligibility Specifications
Windows	1. Product must be NFRC Certified 2. Efficiency: a. U-Factor $\leq 0.30$ b. SHGC $\leq 0.25$
Doors	1. Product must be NFRC Certified 2. Opaque (No Glass) Efficiency: a. U-Factor $\leq 0.17$ b. SHGC = Any 3. $\leq 1/2$ -Lite (Some Glass) Efficiency: a. U-Factor $\leq 0.25$ b. SHGC $\leq 0.25$ 4. $>1/2$ -Lite (Mostly Glass) Efficiency: a. U-Factor $\leq 0.30$ b. SHGC $\leq 0.25$
Skylights & Tubular Day Lighting Device	1. Product must be NFRC Certified 2. Efficiency: a. U-Factor $\leq 0.53$ b. SHGC $\leq 0.28$
Applied Window Film	Product must be NFRC Certified
Exterior Window Shading Device	<ol style="list-style-type: none"> <li>1. Product must shade to at least one window or door</li> <li>2. Product must be one of the following styles: <ol style="list-style-type: none"> <li>a. Patio Cover</li> <li>b. Fixed Awning</li> <li>c. Operable Awning</li> <li>d. Operable Shutter</li> <li>e. Solar Screen</li> </ol> </li> <li>3. Product is NOT eligible to be installed on properties located within LA County or California Building Climate Zones 1, 3-5</li> <li>4. Other exterior structural products including, but not limited to, sunroom enclosures, exterior decks, balconies, roof overhangs, detached/free-standing arbors, detached/free-standing pergolas, and/or carports are NOT eligible</li> <li>5. Interior window shading products are NOT eligible</li> </ol>

## 2.3 Building Envelope

Product Type	Eligibility Specifications
Cool Wall Coating	<ol style="list-style-type: none"> <li>1. Product must be a preapproved E3 Cool Wall Coating product</li> <li>2. Product must have solar reflectance <math>\geq 0.5</math> as tested to ASTM C1549-09 standard</li> <li>3. Product primary application surface must be exterior wall surfaces of conditioned buildings</li> <li>4. Trim, soffit, and/or fascia may be included in work scope as secondary items, as applicable</li> <li>5. Product is only eligible to be installed on properties located within CA Building Climate Zones 4-10 and 12-15</li> </ol>
Cool Roof – Prescriptive	<ol style="list-style-type: none"> <li>1. Low-Slope Roof (<math>\leq 2:12</math>) Efficiency Rating: Aged (3 yrs.) Solar Reflectance <math>\geq 0.5</math></li> <li>2. Steep-Slope Roof (<math>&gt; 2:12</math>) Efficiency Rating: Aged Solar Reflectance <math>\geq 0.15</math></li> </ol>
Cool Roof – Performance	<p>If a Cool Roof-Prescriptive roofing product is not specified, one of the following performance measures must also be implemented in the scope of work:</p> <ol style="list-style-type: none"> <li>a. Provide an air-space of at least 1" between the top of the roof deck and the bottom of the roofing product</li> <li>b. Insulate attic floor to R-value <math>\geq 38</math></li> <li>c. Seal &amp; Insulate attic HVAC ductwork to R-8 and <math>\leq 6\%</math> leakage</li> <li>d. Install an eligible radiant barrier (Reflectivity <math>\geq 0.9</math> and Emittance <math>\leq 0.1</math>) with reflective side facing air space</li> <li>e. Insulate above roof deck to R-value <math>\geq 4</math></li> <li>f. Install roof construction with thermal mass with a weight of at least 25 lb/ft<sup>2</sup></li> </ol>
Attic Insulation	R-value $\geq 38$ 2. Product should be installed following ENERGY STAR guidelines
Wall Insulation	R-value $\geq 13$ 2. Product should be installed following ENERGY STAR guidelines
Under-Floor Insulation	1. R-value $\geq 19$ 2. Product should be installed following ENERGY STAR guidelines



Radiant Barrier	<p>1. Radiant Barrier type products must be installed with reflective side facing an open-air space and meet the following performance ratings: a. Reflectivity<math>\geq</math>0.9 b. Emittance<math>\leq</math>0.1</p> <p>2. Radiation Control Coating type products must be installed to face an open-air space and meeting the following performance ratings: a. Emittance<math>\leq</math>0.25</p>
Air Sealing	<p>1. Air sealing should be performed to BPI, ENERGY STAR, and/or ASHRAE 62. 2 guidelines for air sealing, ventilation, and weatherization. Product must comply with Title 24.</p>
Reflective Paint	<p>1. Product must be approved Cool Wall Coating product</p> <p>2. Product must have solar reflectance <math>\geq</math> 0.5 as tested to ASTM C1549-09 standard</p> <p>3. Product primary application surface must be exterior wall surfaces of conditioned buildings</p> <p>4. Trim, soffit, and/or fascia may be included in work scope as secondary items, as applicable</p> <p>5. Product is only eligible to be installed on properties located within CA Building Climate Zones 4-10 and 12-15</p>
Insulation Carpet and Padding (with stipulation)	<p>1. R-value<math>\geq</math>19</p> <p>2. Product should be installed following ENERGY STAR guidelines</p>

#### 2.4 High Efficiency Water Heating

Product Type	Eligibility Specifications
Gas Storage Water Heater	<p>1. Product must be ENERGYSTAR Certified</p> <p>2. Efficiency: a. EF <math>\geq</math> 0.67</p>
Electric Heat Pump Storage Water Heater	<p>1. Product must be ENERGYSTAR Certified</p> <p>2. Efficiency: a. EF <math>\geq</math> 2.0. Product must comply with Title 24.</p>
Gas Tankless Water Heater	<p>1. Product must be ENERGY STAR Certified</p> <p>2. Efficiency: a. EF <math>\geq</math> 0.90</p>
Whole House Water Manifold System	<p>Installation cannot include any work on the wastewater system or the city main</p>

Electric Tankless Water Heater	Product must comply with Title 24.
Recirculation Hot Water System	System must meet the EPA Water Sense Guide for Efficient Hot Water Delivery Systems definition for one of the following water delivery options: a. Dedicated Recirculation Line b. Whole House Manifold System c. Demand-initiated Recirculating System d. Core Plumbing System. Installation cannot include any work on the wastewater system or the city main

## 2.5 High Efficiency Pool Equipment

Product Type	Eligibility Specifications
Pool Pump and Motor	1. Product must be ENERGYSTAR Certified 2. Single Speed Pump Efficiency: a. $EF \geq 3.8$ 3. Multi-Speed Pump Efficiency: a. $EF \geq 3.8$ for most efficient speed
Electric Heat Pump Pool Heater	1. Product must be listed in California Energy Commission Appliance Efficiency Database 2. $COP \geq 4.5$
Gas Pool Heater	1. Product must be listed in California Energy Commission Appliance Efficiency Database 2. Thermal Efficiency $\geq 83\%$ . Product must comply with Title 24
Automatic Pool Cover	Product must be UL certified as meeting ASTM F1346 Standard Performance Specification

## 2.6 High Efficiency Lighting

Product Type	Eligibility Specifications
Indoor Lighting Fixture	Product must comply with Title 24 or use LED technology.
Outdoor Lighting Fixture	Product must comply with Title 24 or use LED technology.
Lighting Control	1. Product must be listed in the California Energy Commission Appliance Efficiency Database. 2. Eligible

	control types include: a. Automatic Time-Switch b. Daylight/Photo-Sensor c. Dimmer d. Occupant/Motion/Vacancy Sensor
Occupancy Sensor Lighting	Sensor shall employ a dual element PIR sensor having highest sensitivity to infrared
Lighting Control Systems	1. Product must be listed in the California Energy Commission Appliance Efficiency Database. 2. Eligible control types include: a. Automatic Time-Switch b. Daylight/Photo-Sensor c. Dimmer d. Occupant/Motion/Vacancy Sensor
Refrigeration Case Lighting w/ Occupancy Sensors	Commercial Only - Custom Criteria
SMART Parking Lot Fixtures	Commercial Only - Custom Criteria
SMART Parking Garage Fixtures	Commercial Only - Custom Criteria
SMART Pathway Lighting	Commercial Only - Custom Criteria
SMART Wallpack Fixtures	Commercial Only - Custom Criteria
Task Ambient Lighting	Commercial Only - Custom Criteria
Wireless Lighting Controls	Commercial Only - Custom Criteria

## 2.7 Indoor Water Efficiency

Product Type	Eligibility Specifications
High-Efficiency Toilet Fixture	Product must comply with Title 24.

High-Efficiency Faucet Fitting	1. Product must be Water Sense Qualified 2. Flowrate $\leq$ 1.5GPM 3. Must be permanently installed
High-Efficiency Showerhead	1. Product must be Water Sense Qualified 2. Flowrate $\leq$ 2.0GPM
Hot Water Delivery System	System must meet the EPA Water Sense Guide for Efficient Hot Water Delivery Systems definition for one of the following water delivery options: a. Dedicated Recirculation Line b. Whole House Manifold System c. Demand-initiated Recirculating System d. Core Plumbing System
Waterless Urinals	Commercial Only - Custom Criteria

## 2.8 Outdoor Water Efficiency

Product Type	Eligibility Specifications
High-Efficiency Sprinkler Nozzle	Product must be on SoCal Water Smart Qualified Sprinkler Nozzle product list
Weather-Based Irrigation Controller	Product must be Water Sense Certified
Drip Irrigation	Product installed in turf, garden, planter, or flower bed area
Rainwater Catchment System	1. Sized to hold $\geq 50$ gallons at one time 2. Must be permanently installed
Artificial Turf	1. Product must be water and air permeable 2. Product must be non-toxic and lead free 3. Product installation must carry $\geq 10$ year warranty
Gray Water System	1. System must meet California Plumbing Code, Chapter 16A 2. Eligible system types include: a. Single Fixture b. Multi-Fixture Simple ( $\leq 250$ GPD) c. Multi-Fixture Complex ( $>250$ GPD)
Cooling Condensate Reuse	Commercial Only - Custom Criteria
Cooling Tower	Commercial Only - Custom Criteria
Cooling Tower Controllers	Commercial Only - Custom Criteria
Core Plumbing System (replace/leak repair)	Installation cannot include any work on the wastewater system or the city main
Deionization Equipment	Commercial Only - Custom Criteria
Industrial Process Water Reuse	Commercial Only - Custom Criteria
Pre-rinse spray valves	Commercial Only - Custom Criteria

Drought Tolerant Landscaping	1. Product installation area must replace existing live turf grass or other irrigated area 2. Products must be installed to limit excess site runoff 3. Requested financing amount may only include: a. Removal of existing landscape material b. Site preparation for installation c. Installation of eligible hardscape/ groundcover material d. Installation of eligible irrigation options 4. Requested finance amount may NOT include: a. Installation of live plants or biodegradable plant material b. Removal/replacement of pre-existing hardscape areas (i.e. driveways, pools, etc.) c. Installation of water features (i.e. ponds, fountains, etc.) d. Installation of any other products not listed in specification #3
Roof Gutters (with stipulation)	As part of rainwater harvesting system
Pavers (with stipulation)	with a minimum of 1/4" joint spacing
Sewer Lateral Repair	Lower costs for wastewater Agency
Sewer Lateral	Lower costs for wastewater Agency
Trenchless Sewer Lateral Lines	Lower costs for wastewater Agency
Septic to Sewer Conversion (with stipulation)	Reduce water loss and likelihood of failure

## 2.9 Control System

Product Type	Eligibility Specifications
Elevator Motors and Controls	Commercial Only - Custom Criteria
HVAC Duct Zoning Control System	Commercial Only - Custom Criteria

HVAC Control System	Commercial Only - Custom Criteria
Industrial Process Equipment Motors and Controls	Commercial Only - Custom Criteria
Building Energy Efficient Management Control Systems	Commercial Only - Custom Criteria

### 3 Seismic Improvements

Product Type	Eligibility Specifications
Seismic Improvements	A copy of the pulled permit must be submitted for this product prior to funding. The permit must reference in the scope of work that the work is being done in accordance with Chapter A3, an approved standard plan set, or custom engineered solution. Product is not eligible in Los Angeles County or WRCOG.



# EXHIBIT C

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Form of Assessment Contract

**CALIFORNIA MUNICIPAL FINANCE AUTHORITY  
PACE PROGRAM**

**ASSESSMENT CONTRACT**

**THIS ASSESSMENT CONTRACT** (this “Contract”), dated as of \_\_\_\_\_, 20\_\_\_\_, is by and between the California Municipal Finance Authority (the “Authority”), and the owner[s] of record, \_\_\_\_\_ (the “Property Owner”) of the fee interest in the real property described on Exhibit A (the “Property”).

**RECITALS**

**WHEREAS**, the Authority is a joint exercise of powers authority, the members of which include numerous cities and counties in the State of California;

**WHEREAS**, the Authority has established the CMFA PACE Program (the “Program”) to allow the financing or refinancing of certain distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, seismic strengthening improvements, electric vehicle charging infrastructure and such other work, infrastructure or improvements as may be authorized by law from time to time that are permanently fixed to real property (the “Authorized Improvements”) through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the California Streets & Highways Code (“Chapter 29”) and the issuance of improvement bonds under the Improvement Bond Act of 1915 (California Streets and Highways Code Section 8500 and following) (the “1915 Act”) upon the security of the unpaid contractual assessments;

**WHEREAS**, Chapter 29 provides that assessments may be levied under the provisions thereof only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied at the time the assessment is levied pursuant to a contract between the property owner and the public agency;

**WHEREAS**, the Authority has conducted the proceedings required by Chapter 29 with respect to the territory within the boundaries of the City or County identified in Exhibit A (the “Participating Entity”);

**WHEREAS**, the Authority has appointed \_\_\_\_\_, as a program administrator (together with any successors thereto, the “Program Administrator”) for the Program as it pertains to this Contract;

**WHEREAS**, the Property is located in the boundaries of the Participating Entity, and the Participating Entity has consented to (a) owners of property within its jurisdiction (the “Participating Property Owners”) participating in the Program and (b) the Authority conducting assessment proceedings under Chapter 29 and issuing bonds under the 1915 Act to finance or refinance the Authorized Improvements; and

**WHEREAS**, pursuant to Chapter 29, the Authority and the Property Owner desire to enter into this Contract, pursuant to which the Property Owner will agree to pay an assessment in order to finance or refinance the installation of the Authorized Improvements described in Exhibit A (the

“Improvements”) and the Authority will agree to provide financing, all on the terms set forth in this Contract;

**NOW, THEREFORE,** in consideration of the foregoing and the material covenants hereinafter contained, the Property Owner and the Authority formally covenant, agree and bind themselves and their successors and assigns as follows:

## **AGREEMENT**

**Section 1. Purpose.** The Property Owner and the Authority are entering into this Contract for the purpose of financing or refinancing the installation of the Improvements identified on Exhibit A.

**Section 2. The Property.** This Contract relates to the Property, which is described on Exhibit A. The Property Owner has provided to the Authority sufficient evidence that the Property Owner is the owner of the fee interest in the Property and possesses all legal authority necessary to execute this Contract.

### **Section 3. Assessment; Bonds; Installment; Prepayment; Collection.**

(a) *The Assessment.* The Property Owner hereby freely and willingly agrees that an assessment in the amount specified in Exhibit B (the “Assessment”) shall be levied by the Authority on the Property pursuant to Chapter 29. The amount of the Assessment shall be the amount specified in Exhibit B, which includes an amount to pay the costs of the Improvements, an amount to pay incidental expenses and, if so specified in Exhibit B, an amount for capitalized interest on bonds to be issued. The Property Owner acknowledges and agrees that the amount of the Assessment does not exceed the special benefit conferred on the Property by the installation of the Improvements thereon.

(b) *Bonds.* The Authority hereby determines that serial bonds, term bonds or both (the “Bonds”) shall be issued as provided in the 1915 Act to represent and be secured by the Assessment to pay the cost of the Improvements. The per annum interest rate born by the Bonds shall not exceed the Maximum Interest Rate specified in Exhibit B. The final maturity date of the Bonds shall be no later than the Final Maturity Date specified in Exhibit B.

(c) *Interest; Assessment Installments.* Interest on the Assessment shall begin to run from the date of the Bonds and shall be computed at the rate specified in the Bonds. The unpaid Assessment shall be payable in annual installments corresponding in number and in the pro rata share of the proportionate amount to the number of installments and principal amount of Bonds maturing or becoming subject to mandatory prior redemption in each year. An annual proportion of the Assessment shall be payable in each fiscal year preceding the date of maturity or mandatory prior redemption date of each of the Bonds, sufficient to pay the pro rata share of the Bonds when due.

(d) *Collection.* The annual proportion of the Assessment coming due in any year, together with the annual interest thereon, shall be payable in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

(e) *Administrative Expenses.* In addition to the annual installment of the Assessment described in subsection (c) of this Section, the Authority shall, in accordance with and subject to the limitations contained in Section 8682 and Section 8682.1 of the 1915 Act, add thereto amounts to in order to pay for the costs of collecting the Assessment, the annual administration of the Assessment, the annual administration of the Bonds and other administrative costs (the “Annual Assessment Administrative Fee”).

(f) *Prepayment of the Assessment.* The Assessment may be prepaid, in whole or in any amount of at least \$[5,000], at any time upon the payment of (i) the amount of any delinquent installments of principal or interest on the Assessment, together with penalties accrued to the date of prepayment, plus (ii) the whole or, subject to the minimum amount set forth in this subsection, a portion of the unpaid non-delinquent principal of the Assessment (the “Assessment Prepayment Amount”), plus (iii) interest on the Assessment Prepayment Amount to the earlier of March 2 or September 2 occurring at least 50 days following the date the prepayment is made, plus (iv) an amount equal to the redemption premium, if any, necessary to redeem the principal amount of Bonds corresponding to the amount of the Assessment Prepayment Amount, plus (v) a reasonable fee, if charged by the Authority or Program Administrator, for the cost of administering the prepayment and the redemption of bonds.

(g) *No Reduction or Offset.* The Property Owner hereby acknowledges and agrees that the Assessment will not be subject to reduction, offset or credit of any kind in the event that the Improvements fail to perform in any way or for any reason.

#### **Section 4. Lien; Foreclosure.**

(a) *Lien.* The Assessment, and each installment thereof and the interest and penalties thereon shall constitute a lien against the Property until they are paid, which lien shall be coequal to and independent of the lien for general taxes.

(b) *Foreclosure.* The Property Owner acknowledges and agrees that if any Assessment installment is not paid when due, the Authority has the right to have such delinquent installment and its associated penalties and interest stripped off the secured property tax roll and immediately enforced through a judicial foreclosure action that could result in a sale of the Property for the payment of the delinquent installments, associated penalties and interest, and all costs of suit, including attorneys’ fees. The Property Owner acknowledges that the Authority may obligate itself, through a covenant with the owners of the Bonds, to exercise its judicial foreclosure rights with respect to delinquent Assessment installments under circumstances specified in such covenant.

**Section 5. Financing or Refinancing of the Improvements.** The parties hereby agree that the net proceeds of the Bonds allocable to the Assessment shall be used to finance or refinance the Improvements. Such financing or refinancing may be structured through a power purchase agreement or lease, the payments under which may be prepaid in whole or in part, subject to the requirements of Chapter 29.

#### **Section 6. Term; Contract Runs with the Land; Division.**

(a) Except as otherwise set forth in this Contract, this Contract shall expire upon the final payment or prepayment of the Assessment.

(b) This Contract establishes rights and obligations that are for the benefit of the Property and, therefore, such rights and obligations run with the land pursuant to Civil Code Section 1462.

(c) The obligation to pay the Assessment is an obligation of the Property and no agreement or action of the Property Owner shall be competent to impair in any way the Authority's rights, including, but not limited to, the right to pursue judicial foreclosure of the Assessment lien or the right to enforce the collection of the Assessment or any installment thereof against the Property.

(d) In the event the Property is divided while the Assessment remains unpaid, the unpaid installments of the Assessment shall be segregated and apportioned in accordance with the benefits to the original lot or parcel plus costs and fees of making the apportionment.

**Section 7. Recordation of Documents.** The Authority shall record or cause to be recorded in the office of the County Recorder the various notices and other documents required by Chapter 29 and other applicable laws to be recorded against the Property.

**Section 8. Notice.** To the extent required by applicable Law, the Property Owner shall provide written notice to any subsequent purchaser of the Property, or a portion thereof, of the obligation to pay the Assessment.

**Section 9. Waivers, Acknowledgment and Contract.**

(a) Since the Assessment is voluntary and imposed, in accordance with Chapter 29, pursuant to this Contract, the Property Owner hereby waives any otherwise applicable requirements of Article XIID of the California Constitution, or any other provision of California law, for an engineer's report, notice, public hearing, protest or ballot.

(b) The Property Owner hereby waives its right to repeal the Assessment by initiative or any other action, or to file any lawsuit or other proceeding to challenge the Assessment or any aspect of the proceedings of the Authority undertaken in connection with the Program. The Property Owner hereby agrees that the Property Owner and its successors in interest to fee title in the Property shall be solely responsible for the installation, operation and maintenance of the Improvements. The Property Owner hereby acknowledges that the Property will be responsible for payment of the Assessment regardless of whether the Improvements are properly installed, operated, maintained or perform as expected.

(c) The Property Owner hereby agrees that the Authority is entering into this Contract solely for the purpose of assisting the Property Owner with the financing or refinancing of the installation of the Improvements, and that neither the Authority nor the Participating Entity has any responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing, maintenance or performance of the Improvements. The Property Owner hereby waives the right to recover from and fully and irrevocably releases the Authority, the Participating Entity and any and all agents, employees, program administrators, attorneys,

representatives and successors and assigns of the Authority and the Participating Entity from any and all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney’s fees), relating to the subject matter of this Contract that the Property Owner may now have or hereafter acquire against the Authority, the Participating Entity and any and all agents, employees, program administrators, attorneys, representatives and successors and assigns of the Authority or the Participating Entity.

(d) To the extent that the foregoing waivers and agreements are subject to Section 1542 of the California Civil Code or similar provisions of other applicable law, it is the intention of the Property Owner that the foregoing waivers and agreements will be effective as a bar to any and all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney’s fees), of whatever character, nature and kind, known or unknown, suspected or unsuspected, and Property Owner agrees to waive any and all rights and benefits conferred upon the Property Owner by the provisions of Section 1542 of the California Civil Code or similar provisions of applicable law. Section 1542 reads as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

BY INITIALING BELOW, OWNER HEREBY WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE MATTERS WHICH ARE THE SUBJECT OF THE FOREGOING WAIVERS AND RELEASES.			
Property Owner 1	_____	Property Owner 3	_____
Initials:		Initials:	
Property Owner 2	_____	Property Owner 4	_____
Initials:		Initials:	

(e) The waivers, releases and agreements set forth in this Section shall survive termination of this Contract.

**Section 10. Indemnification.**

(a) The Property Owner agrees to indemnify, defend, protect, and hold harmless the Authority, the Participating Entity and any and all agents, employees, program administrators, attorneys, representatives and successors and assigns of the Authority or the Participating Entity, from and against all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney’s fees) and any demands of any nature whatsoever related directly or indirectly to, or arising out of or in connection with (i) the Property Owner’s participation in the

Program, (ii) the Assessment, (iii) the Improvements, or (iv) any other fact, circumstance or event related to the subject matter of this Contract, regardless of whether such losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) accrue before or after the date of this Contract.

(b) The provisions of this Section shall survive the termination of this Contract.

**Section 11. Right to Inspect Property.** The Property Owner hereby grants the Authority, its agents and representatives the right to enter at any reasonable time, upon reasonable notice, to inspect the Improvements. The Property Owner further hereby grants the Authority, its agents and representatives the right to examine and copy any documentation relating to the Improvements.

**Section 12. Carbon Credits.** The Property Owner hereby agrees that any carbon credits attributable to the Improvements shall be owned by the Authority or its assignees.

**Section 13. Program Application.** The Property Owner hereby represents and warrants to the Authority that the information set forth in the Program Application submitted to the Authority in connection with its request for financing is true and correct as of the date hereof, and that the representations set forth in the Program Application with respect to the Property and the Property Owner are true and correct as of the date hereof as if made on the date hereof.

**Section 14. Amendment.** This Contract may be modified or amended only by the written agreement of the Authority and the Property Owner.

**Section 15. Binding Effect; Assignment.** This Contract inures to the benefit of and is binding upon the Authority, the Property Owner and their respective successors and assigns. The Authority has the right to assign any or all of its rights and obligations under this Contract without the consent of the Property Owner. The Authority intends to delegate certain of its functions under this Contract to the Program Administrator and may pledge and assign this Contract to a trustee as security for the Bonds.

**Section 16. Exhibits.** Exhibits A and B attached to this Contract are incorporated into this Contract by this reference as if set forth in their entirety in this Contract.

**Section 17. Severability.** If any provision of this Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision of this Contract.

**Section 18. Corrective Instruments.** The Authority and the Property Owner shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required in order to carry out the expressed intention of this Contract.

**Section 19. Governing Law: Venue.** This Contract shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in the State of California. This Contract shall be enforceable in the State of California, and any action arising hereunder shall (unless waived by the Authority in writing) be filed and maintained in the

Superior Court of California, County of San Diego; provided, however, that actions to foreclose delinquent installments of the Assessment shall be filed and maintained in the Superior Court of California in the County identified in Exhibit A.

**Section 20. Counterparts.** This Contract may be executed in several counterparts, each of which is an original and all of which constitutes one and the same instrument.

**Section 21. Monitoring and Recording of Telephone Calls.** The Program may monitor and/or record telephone calls for security and customer service purposes. By agreeing to this Contract the Property Owner agrees to have his, her or its telephone calls with the Program recorded.

**Section 22. Electronic Signatures.**

(a) The parties hereto acknowledge and agree that this Contract may be executed by one or more electronic means (“Electronic Signatures”). Each party hereto agrees that Electronic Signatures provided by such party shall constitute effective execution and delivery of this Contract by such party to all other parties to or relying on this Contract. Each party hereto agrees that Electronic Signatures shall constitute complete and satisfactory evidence of the intent of such party to be bound by those signatures and by the terms and conditions of this Contract as signed. Each party hereto agrees that Electronic Signatures shall be deemed to be original signatures for all purposes.

(b) Each party hereto agrees to accept Electronic Signatures provided by any and all other parties to this Contract as (i) full and sufficient intent by such parties to be bound hereunder, (ii) effective execution and delivery of this Contract, and (iii) constituting this Contract an original for all purposes, without the necessity for any manually signed copies to be provided, maintained or to exist for back up or for any other purpose.

(c) If Electronic Signatures are used to execute this Contract, each party hereto hereby accepts the terms of, and intends and does sign, this Contract by its Electronic Signature hereto.

**Section 23. Contract Documents.**

(a) The Property Owner acknowledges and agrees that the entire agreement between Property Owner and the Authority includes each and every document specified in the List of Documents contained in Exhibit B (collectively, the “Contract Documents”).

(b) By executing this Contract, the Property Owner acknowledges and agrees that:

(i) The Property Owner has had sufficient time to review and has reviewed each of the Contract Documents and has had the opportunity to ask any questions of the Authority that Property Owner may have regarding such Contract Documents;

(ii) The Property Owner has reviewed, understands and agrees to each and every additional requirement and term contained in the [Program Administrator Procedures Handbook] (as defined in Exhibit B to this Contract, the “Program Handbook”);



(iii) The Property Owner has reviewed, understands, agrees to and affirms each and every representation and warranty contained in the Property Owner's application and the Program Handbook; and

(iv) Prior to executing this Contract has read and understands the Property Owner's Acknowledgments and Disclosures contained in the (A) Application, (B) this Contract, (C) the Privacy Notice, and (D) the Program Handbook.

**Section 24. Execution and Return of Contract.** The Property Owner must execute and return this Contract to the Authority at the address set forth in the "Notice Information" section of Exhibit A so that it is received by the Authority not later than \_\_\_\_\_. If the Property Owner fails to return this Contract so executed to the Authority by the indicated date, the Program reserves the right to require the Property Owner to enter into a new Contract. The signature of each person signing as or on behalf of the Property Owner must be notarized by a duly licensed notary unless all such persons have previously successfully completed the identity verification process approved by the Authority.

**IN WITNESS WHEREOF**, the Authority and the Property Owner have caused this Contract to be executed in their respective names by their duly authorized representatives, all as of the Effective Date. The “Effective Date” is defined as the last date entered with the signatures of the parties below.

<b>Property Owner 1:</b>	
_____	
_____, Signature	
Date: _____	Identity Verification Code:
Month/Day/Year	<input type="text"/>

<b>Property Owner 2:</b>	
_____	
_____, Signature	
Date: _____	Identity Verification Code:
Month/Day/Year	<input type="text"/>

<b>Authority: Authorized Signatory</b>	
_____	
Name ( <i>Please Print</i> )	
_____	_____
Signature	Date of Execution by Authority

**EXHIBIT A**

**DESCRIPTION OF PROPERTY, DESCRIPTION OF THE IMPROVEMENTS,  
AND NOTICE INFORMATION**

**Description of Property:**

Property Owner(s) Name(s):

Property Address:

APN:

Participating Entity:

County:

**Description of Improvements:**

The Improvements consist of the following:

**Notice Information:**

[PACE Program Notice Information]

[Property Owner Notice Information]

## **EXHIBIT B**

### **LIST OF CONTRACT DOCUMENTS, DISBURSEMENT, AND SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS, INCLUDING PRINCIPAL, INTEREST AND ANNUAL ASSESSMENT ADMINISTRATIVE FEE**

#### **List of Contract Documents:**

This Contract shall consist of the following documents:

- This Contract and the exhibits hereto;
- The Application;
- The Completion Certificate;
- The Assessment Cost and Payment Summary;
- The Notice of Assessment;
- The Payment of Contractual Assessment Required;
- The Program Administrator Procedures Handbook (\_\_\_\_ Program), Version \_\_\_\_, dated \_\_\_\_\_; and
- The Program website located at \_\_\_\_\_.

#### **Assessment:**

The amount of the Assessment is \$\_\_\_\_\_ (the “Assessment Amount”), of which \$\_\_\_\_\_ is allocable to the cost of the Improvements, \$\_\_\_\_\_ is allocable to incidental expenses and \$\_\_\_\_\_ is allocable to capitalized interest.

#### **Bonds:**

The Maximum Interest Rate to be borne by the Bonds is \_\_\_\_% per annum.

The Final Maturity Date of the Bonds shall be September 2, 20\_\_.

#### **Estimated Maximum Annual Assessment Installments:**

The schedule of the estimated maximum annual installments of the Assessment is based on the following assumptions:

1. Bonds allocable to the Assessment are issued in an amount equal to Assessment Amount.
2. The Bonds bear interest at a rate equal to the Maximum Interest Rate.
3. The final maturity date of the Bonds is the Final Maturity Date.
4. The Assessment Interest Rate is \_\_\_\_%.
5. The Annual Percentage Rate (APR) attributable to the Assessment is \_\_\_\_%. APR is the Effective Cost of Credit in consumer loans and real estate loans expressed as a percentage interest rate. The annual percentage rate is the interest rate the borrower actually pays, including fees required in order to participate in the Program.

6. The total administrative fees, recording fees and other fees and costs added to your assessment is \$\_\_\_\_\_.

<b>Tax Year (commencing July 1)</b>	<b>Interest</b>	<b>Principal</b>	<b>Total Assessment</b>	<b>Annual Administrative Assessment Fee*</b>	<b>Total Estimated Contractual Assessment Payment</b>

\*Estimated, subject to change

**UPON THE ISSUANCE OF THE BONDS, THE ACTUAL ANNUAL ASSESSMENT INSTALLMENTS WILL BE DETERMINED IN ACCORDANCE WITH THE 1915 ACT, AS DESCRIBED IN THIS CONTRACT. THE SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS SHALL BE SPECIFIED IN THE “PAYMENT OF CONTRACTUAL ASSESSMENT REQUIRED” TO BE RECORDED BY THE AUTHORITY IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF \_\_\_\_\_.**

**Prepayment:**

The Assessment may be prepaid, in whole or in part, as described in Section 3(f) of this Contract.