

**OPERATING AGREEMENT BETWEEN
CONTRA COSTA COUNTY AND PACE PROVIDER FOR
PROPERTY ASSESSED CLEAN ENERGY (PACE) FINANCING**

This agreement ("Agreement"), dated as of _____, 2018 ("Effective Date"), is by and between Contra Costa County, a political subdivision of the State of California (the "County"), and California Statewide Communities Development Authority, a California limited joint powers authority established pursuant to Chapter 5 of Division 7, Title 1 of the Government Code of the State of California, Section 6500 and following (the "PACE Provider").

RECITALS

A. Property Assessed Clean Energy (PACE) financing is a method of providing financing to property owners to finance permanent energy efficiency improvements on real property. A property owner who obtains PACE financing repays the financing by entering into an agreement that allows an assessment or special tax to be levied on the property. These levies are known as voluntary contractual assessments.

B. Voluntary contractual assessments that are utilized to finance the installation of energy efficiency improvements on real property are authorized by (1) the Improvement Act of 1911, as amended by AB 811 (Streets and Highways Code Section 5898.10 et seq.) ("Improvement Act") and (2) the Mello-Roos Community Facilities Act of 1982, as amended by SB 555 (Government Code Section 53311 et seq. ("Mello-Roos Act").

C. The PACE Provider is a joint exercise of powers authority that has created one or more PACE financing programs (each, a "PACE Program"). The PACE Provider has established one or more PACE Programs to allow the financing of certain renewable energy, energy efficiency and water efficiency, and other authorized improvements that are permanently affixed to real property through the levy of assessments voluntarily agreed to by property owners participating in a PACE Program. Under each PACE Program, the PACE Provider accepts applications from eligible property owners, conducts assessment proceedings, and levies assessments.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, the parties agree as follows:

AGREEMENT

1. Definitions. As used in this Agreement, the following terms have the following meanings:
 - a. "PACE Administrator" means each independent contractor of the PACE Provider that markets, administers and carries out a PACE Program on behalf of the PACE Provider.

- b. "Eligible Improvement" is a renewable energy improvement, energy efficiency improvement or other improvement authorized by the Improvement Act, the Mello-Roos Act or other state law pertaining to voluntary contractual assessments.
- c. "Non-residential Property" means a property with four or more residential units or any commercial, agricultural, or industrial property that is otherwise eligible for PACE Financing.
- d. "Participating Contractor" is any contractor that installs Eligible Improvements that are funded by a PACE Provider.
- e. "Program Participant" is a property owner who enters into a voluntary contractual assessment with the PACE Provider.
- f. "Property Assessed Clean Energy (PACE) Financing" is a means of financing Eligible Improvements as authorized by the Improvement Act, the Mello-Roos Act, or other state law pertaining to voluntary contractual assessments.
- g. "Residential Property" means a property with three or fewer residential units.
- h. "Value" means the greater of: (1) assessed value; or (2) fair market value, as determined either by an automated valuation model or an appraisal.

2. General Requirements.

- a. PACE Provider's Specified Services. The PACE Provider may offer and provide Property Assessed Clean Energy Financing to property owners in the unincorporated areas of the County. The PACE Provider is solely responsible for the formation, operation and administration of the PACE Program, including the conduct of assessment proceedings, the levy and collection of assessments, and the offer, sale and administration of any bonds issued by or other financing offered by the PACE Provider on behalf of the PACE Program.
- b. Cooperation with County. The PACE Provider shall independently operate its program and cooperate with the County and County staff as described in this Agreement.
- c. Performance Standard. The PACE Provider shall provide PACE Financing in a manner consistent with the level of competency and standard of care normally observed by an organization providing PACE Financing pursuant to the Improvement Act or Mello-Roos Act.

3. Disclosure Requirements.

The PACE Provider shall require and ensure that each PACE Administrator does all of the following:

- a. Discloses in writing to potential Program Participants the financial risks associated with PACE Financing, including the risks associated with federal regulation and administration of mortgage financing and the position of the Federal Housing Finance Agency (FHFA) on PACE lending. The disclosure materials must include the disclosures contained in the PACE Funding Program Disclosures, which is attached and incorporated herein as Attachment A.
- b. Requires potential Program Participants to sign a written acknowledgment of the Federal Housing Finance Agency (FHFA) position on PACE liens.
- c. Requires Program Participants who own non-residential properties to obtain written consent to participate in the PACE Program from lenders who have made loans to the Program Participant where the property serves as security for the loan.
- d. Provides federal Truth in Lending Act disclosure details to the applicant specific to the requested amount of the financing. The details shall be provided to the applicant in the Truth in Lending Disclosures, which is attached and incorporated herein as Attachment B.
- e. Advises potential Program Participants of available state or federal rebate or incentive programs.
- f. Requires each Program Participant to obtain from the County all building permits for improvements.
- g. The PACE Administrator may recommend that property owners consult with a tax professional prior to claiming any tax deductions associated with the project.

4. Financial Requirements.

The PACE Provider shall require and ensure that each PACE Administrator does all of the following:

- a. Administers and reviews Program Participant eligibility and determines the Eligible Improvement costs to be financed.

- b. Establishes each PACE Program's own interest rates, payback terms and fees.
- c. Participates in the State of California's PACE Loss Reserve Program, administered by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), and provide evidence of current participation and copies of all application materials submitted to CAEATFA. If the State discontinues the PACE Loss Reserve Program, or if the County determines that the State's PACE Loss Reserve Program does not provide adequate coverage, then the County may terminate this Agreement unless the County is satisfied with coverage by an alternative loan loss reserve program.
- d. For residential properties, ensures that the loan amount to a Program Participant does not exceed 15% of the value of the property up to the first \$700,000 of the value of the property, and is for less than 10% of the remaining value of the property above \$700,000.
- e. Ensures that the combined amount of any loans existing prior to the proposed PACE lien and the amount of the PACE lien itself, have an aggregate amount of no more than 95% of the value of the property, including all mortgage-related debt as determined as of the date the assessment contract is executed.
- f. Ensures that the total property taxes and annual assessments for each property that will have PACE Financing will not exceed 5% of the value of the property as determined as of the date the assessment contract is executed.
- g. Verifies that each Program Participant is current on all property taxes and has not made late payments in the past three years or period of ownership (whichever is less), and verifies that each Program Participant has not filed for bankruptcy in the past three years.
- h. Coordinates with the Auditor-Controller's Office each year regarding delinquent assessments.

5. Reports.

For each property that has entered into a voluntary contractual assessment through the PACE Provider, the PACE Provider shall require and ensure that each PACE Administrator provides project information and data in an accessible electronic format to the County on a monthly and annual basis and upon request, including but not limited to the following:

- a. The Assessor's Parcel Number (APN) and property type (residential or non-residential) of the property.

- b. The amount of the contractual assessment.
 - c. All installed Eligible Improvements financed through PACE Financing.
 - d. If applicable, the solar STC-DC rating in watts or kilowatts of each Eligible Improvement.
 - e. If available, the expected financial and energy savings associated with each Eligible Improvement.
 - f. For each property with an agreement to subordinate the PACE obligation, the effective date of that agreement.
6. Participating Contractor Obligations. The PACE Provider shall require and ensure that each PACE Administrator does all of the following:
- a. Requires and ensures that each Participating Contractor has all required California State License Board licenses and all other required State and County licenses.
 - b. Requires and ensures that each Participating Contractor's bonding is in good standing.
 - c. Requires and ensures that each Participating Contractor holds harmless, indemnifies and defends the County as set forth in Section 9 (c).
 - d. Requires and ensures that each Participating Contractor has insurance as required in Section 12 (b).
 - e. Requires and ensures that each Participating Contractor and their representatives, employees, and agents do not represent themselves as agents, representatives, contractors, subcontractors, or employees of the County or the Department of Conservation and Development or claim association or affiliation with the County or Department of Conservation and Development.
7. Agreement with County Auditor-Controller. The PACE Provider will enter into a separate agreement with the Contra Costa County Auditor-Controller for the administration of property tax assessments placed on properties through the PACE Financing program.
8. Agreement with Program Participant. Each voluntary contractual assessment between the PACE Provider and a Program Participant shall require the Program Participant to hold harmless, indemnify and defend the County, and release the County from liability, in accordance with the "CSCDA Open PACE Program

Assessment Contract,” which is attached and incorporated herein as Attachment C. The terms set forth in Attachment C shall be incorporated into the PACE Provider’s voluntary contractual assessment with each Program Participant for PACE Financing.

9. Indemnification and Release.

a. Indemnification Obligation of the PACE Provider. To the fullest extent not prohibited by applicable law, the PACE Provider shall defend, indemnify, protect, save, and hold harmless the County, the County Auditor-Controller, the County Treasurer-Tax Collector, their respective employees, agents, attorneys, officers, divisions, related agencies and entities, affiliates, successors and assigns (collectively and individually the “Indemnitees”), from any and all claims, cost, loss, liability, expense, damages, or other injury, claim, action or proceeding (collectively “Liability”) arising out of or connected with this Agreement or activities taken by the parties pursuant to this Agreement, including but not limited to the establishment, placement or collection of assessments or special taxes on participating properties; and will make good to and reimburse Indemnitees for any expenditures, including reasonable attorney’s fees, the Indemnitees may make by reason of such matters. If requested by any of the Indemnitees, the PACE Provider will defend any such suits at the sole cost and expense of the PACE Provider with counsel selected or approved by the Contra Costa County Counsel.

The PACE Provider’s obligations under this section will exist regardless of concurrent negligence or willful misconduct on the part of any Indemnitee or any other person; provided, however, that the PACE Provider will not be required to indemnify Indemnitees for the proportion of Liability a court determines is attributable to the sole negligence or willful misconduct of the County, its governing body, officers or employees. This indemnification clause shall survive the termination or expiration of this Agreement.

b. PACE Provider’s Release. To the fullest extent not prohibited by applicable law, the PACE Provider hereby releases and forever discharges the County, the County Auditor-Controller, the County Treasurer-Tax Collector, their respective employees, agents, attorneys, officers, divisions, related agencies and entities, affiliates, successors and assigns (collectively “Released Parties”), from any and all claims, cost, loss, liability, expense, damage (including consequential damages), or other injury, claim, action or proceeding (including without limitation, attorneys’ fees and expenses), which the PACE Provider now has or could assert in any manner arising out of or connected with this Agreement, the subject matter of this Agreement, or activities taken by the parties pursuant to this Agreement, including any claim, action or proceeding to attack, set aside, void, abrogate, rescind or annul this Agreement or the actions of either party under this Agreement. The PACE Provider knowingly waives the right to make any claim

against the Released Parties for such damages and expressly waives all rights provided by section 1542 of the California Civil Code, which provides 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 SETTLEMENT WITH THE DEBTOR.”

The rights and obligations contained in this paragraph will survive termination of this Agreement.

c. Indemnification and Release Obligations of Participating Contractors.

The PACE Provider shall require and ensure that each PACE Administrator requires and ensures that each Participating Contractor releases, defends, indemnifies, protects, saves, and holds harmless the County, the County Auditor-Controller, the County Treasurer-Tax Collector, their respective employees, agents, attorneys, officers, divisions, related agencies and entities, affiliates, successors and assigns, from any and all liability, claims, losses, costs, expenses, penalties, fines, forfeitures, judgments and damages, including attorneys' fees and costs, arising out of or connected with the Participating Contractor's actions under the PACE Program, including the installation of any Eligible Improvement.

10. Term of Agreement. The term of this Agreement shall be from the Effective Date until termination in accordance with the provisions of Section 11, Termination.

11. Termination.

- a. Termination without Cause. Notwithstanding any other provision of this Agreement, at any time and without cause, the County or PACE Provider shall have the right, in its sole discretion, to terminate this Agreement by giving 30 days' written notice to the other Party of this Agreement. This Agreement may be cancelled immediately by written mutual consent.
- b. Termination for Cause. Notwithstanding any other provision of this Agreement, if the PACE Provider fails to uphold any of its obligations under this Agreement, or otherwise violates any of the terms of this Agreement, the County may immediately terminate this Agreement by giving the PACE Provider written notice of such termination, stating the reason for termination.
- c. Discontinuation of PACE Program. Upon 24 hours' notice from the County, the PACE Provider shall immediately discontinue its residential PACE Program in the County's unincorporated area if the Federal Housing Finance Authority (FHFA) takes any action in California pertaining to PACE Financing, as it relates to Fannie Mae and Freddie Mac mortgages,

that the County determines will create an undue liability to the County or Program Participants.

- d. Delivery of Data and Information upon Termination. In the event of termination and within 14 days following the date of termination, the PACE Provider must deliver to County all data and information for all properties with contractual assessments, as specified in Section 5, Reports.
- e. Effect of Termination. If the Board of Supervisors terminates this agreement pursuant to this Section 11, the PACE Provider may not solicit new assessment contracts within the unincorporated areas of the County.
- f. Upon termination of this Agreement or the discontinuance of the PACE Program, the PACE Provider shall continue to administer all voluntary assessment contracts that exist at the time of the termination.

12. Insurance.

- a. The PACE Provider shall maintain commercial general liability insurance, including contractual liability (or blanket contractual) coverage, owners' and contractors' protective coverage, and broad form property damage coverage, with a minimum of \$1 million per occurrence.
- b. The PACE Provider will ensure that the following insurance requirements are incorporated into all contracts entered into by the PACE Provider with each PACE Administrator and Participating Contractor, or their respective contractors, subcontractors or assigns, in connection with this Agreement: (1) each PACE Administrator and Participating Contractor must maintain workers' compensation insurance pursuant to state law; (2) each PACE Administrator and Participating Contractor must maintain commercial general liability insurance, including contractual liability (or blanket contractual) coverage, owners' and contractors' protective coverage, and broad form property damage coverage, with a minimum of \$1 million per occurrence; (3) each PACE Administrator and Participating Contractor must maintain vehicle liability insurance with a minimum combined single-limit coverage of \$500,000 per occurrence; and (4) each PACE Administrator shall maintain Professional Liability Errors and Omissions Insurance coverage at \$1,000,000 per occurrence or aggregate limit. Each PACE Administrator and Participating Contractor shall provide certificates of insurance to the County, copies of policies, or endorsements evidencing the above insurance coverage and requiring at least 30 days' written notice to the County of policy lapse, cancellation, or material change in coverage.

13. Miscellaneous Provisions.

- a. Independent Contractor Status. The parties intend that the PACE Provider, in implementing and operating the PACE Program, is an independent contractor, and that the PACE Provider will control the work and the manner in which it is performed. This Agreement is not to be construed to create a relationship between the parties of agent, servant, employee, partnership, joint venture, or association. The PACE Provider is not a County employee. This Agreement does not give the PACE Provider any right to participate in any pension plan, workers' compensation plan, insurance, bonus, or similar benefits County provides to its employees.
- b. Compliance with the Law. The PACE Provider is subject to and must comply with all applicable federal, state, and local laws and regulations with respect to its performance under this Agreement, including but not limited to, licensing, employment, and purchasing practices; and wages, hours, and conditions of employment, including nondiscrimination.
- c. Authorization. The PACE Provider represents and warrants that it has full power and authority to enter into this Agreement and to perform the obligations set forth herein.
- d. Assignment and Delegation. Neither party hereto shall assign, delegate, sublet, or transfer any interest in or duty under this Agreement without the prior written consent of the other, and no such transfer shall be of any force or effect whatsoever unless and until the other party shall have so consented. This Agreement binds the heirs, successors, assigns and representatives of the PACE Provider.
- e. Method and Place of Giving Notice. All notices shall be made in writing and shall be given by personal delivery or by U.S. Mail or courier service. Notices shall be addressed as follows:

TO COUNTY:

Contra Costa County
Department of Conservation and Development
Deputy Director, Building Inspection Division
30 Muir Road
Martinez, CA 94553

TO PACE PROVIDER:

California Statewide Communities
Development Authority
Attn: James Hamill, Managing Director
1700 North Broadway, Suite 405
Walnut Creek, CA 94596

With a copy to the PACE ADMINISTRATOR as follows:

PACE Funding Group, LLC
Attn: Robert Giles, CEO
750 University Ave., Suite 240
Los Gatos, CA 95032

The effective date of notice is the date of deposit in the mail or other delivery, except that the effective date of notice to the County is the date of receipt by the Deputy Director, Building Inspection Division, Department of Conservation and Development. Changes may be made in the names and addresses of the person to whom notices are to be given by giving notice pursuant to this paragraph.

- f. Inspection. Upon the County's request, the County or its designee shall have the right at reasonable times and intervals to inspect the PACE Provider's financial and program records at the premises of the PACE Provider and the PACE Administrator. The PACE Provider or the PACE Administrator shall maintain all PACE Program records for a period of four years following termination of the Agreement, and shall make them available for copying upon the County's request at the County's expense.
- g. No Waiver of Breach. The waiver by the County of any breach of any term or promise contained in this Agreement shall not be deemed to be a waiver of such term or provision or any subsequent breach of the same or any other term or promise contained in this Agreement.
- h. Construction. To the fullest extent allowed by law, the provisions of this Agreement shall be construed and given effect in a manner that avoids any violation of statute, ordinance, regulation, or law. The parties agree that in the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby. The PACE Provider and the County acknowledge that they have each contributed to the making of this Agreement and that, in the event of a dispute over the interpretation of this Agreement, the language of the Agreement will not be construed against one party in favor of the other.
- i. Consent. Wherever in this Agreement the consent or approval of one party is required to an act of the other party, such consent or approval shall not be unreasonably withheld or delayed.

- j. No Third Party Beneficiaries. Nothing contained in this Agreement shall be construed to create, and the parties do not intend to create, any rights in third parties.
- k. Choice of Law. This Agreement is made in Contra Costa County and is governed by, and must be construed in accordance with, the laws of the State of California.
- l. Captions. The captions in this Agreement are solely for convenience of reference. They are not a part of this Agreement and shall have no effect on its construction or interpretation.
- m. Survival of Terms. All express representations, waivers, indemnifications, and limitations of liability included in this Agreement will survive its completion, expiration or termination for any reason.
- n. Time of Essence. Time is and shall be of the essence of this Agreement and every provision hereof.
- o. Entire Agreement. This Agreement contains all the terms and conditions agreed upon by the parties. Except as expressly provided herein, no other understanding, oral or otherwise, regarding the subject matter of this Agreement will be deemed to exist or to bind any of the parties hereto.
- p. Duplicate Counterparts. This Agreement may be executed in duplicate counterparts. The Agreement shall be deemed executed when it has been signed by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

PACE PROVIDER

CONTRA COSTA COUNTY

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____



www.pacefunding.com

PACE Funding Program Disclosures

The California Statewide Communities Development Authority (the "Authority") PACE Funding Program (the "Program") finances installation of renewable energy, energy or water efficiency products, or electric vehicle charging infrastructure that are permanently fixed to a property owner's real property ("Eligible Products"). Eligible Products will be financed upon the signing of an assessment contract between the Authority and the property owner ("Assessment Contract"). The Authority has retained PACE Funding, LLC ("PACE Funding") to facilitate the Program, and you will see this name throughout the Program materials. The Authority and PACE Funding are referred to collectively therein as "Program Administrator."

Disclosures

The following describes some (but not all) characteristics and risks of participation in the Program as well as laws to which the Program is subject. A full understanding of any item listed below can be gained only by reviewing the relevant laws, policy statements, and/or the contractual documents related to the Program. The Program Administrator is committed to your understanding each of the items listed below before you enter into an Assessment Contract, and invites you to ask Program representatives any questions regarding these items or if you need copies of any document related to the Program.

1. Program Disclosures and Disclaimers.

- a. **Existing Mortgage.** The Program establishes the manner by which the Authority may finance, pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (commencing with Section 5898.10), the installation of Eligible Products. Eligible Products will be financed pursuant to an Assessment Contract between you and the Authority.

BEFORE COMPLETING A PROGRAM APPLICATION, YOU SHOULD CAREFULLY REVIEW ANY MORTGAGE AGREEMENT(S) OR OTHER SECURITY INSTRUMENT(S) WHICH AFFECT THE PROPERTY OR TO WHICH YOU AS THE PROPERTY OWNER ARE A PARTY. ENTERING INTO A PROGRAM ASSESSMENT CONTRACT WITHOUT THE CONSENT OF YOUR EXISTING LENDER(S) COULD CONSTITUTE AN EVENT OF DEFAULT UNDER SUCH AGREEMENTS OR SECURITY INSTRUMENTS. DEFAULTING UNDER AN EXISTING MORTGAGE AGREEMENT OR SECURITY INSTRUMENT COULD HAVE SERIOUS CONSEQUENCES TO YOU, WHICH COULD INCLUDE THE ACCELERATION OF THE REPAYMENT OBLIGATIONS DUE UNDER SUCH AGREEMENT OR SECURITY INSTRUMENT. IN ADDITION, FANNIE MAE AND FREDDIE MAC, THE OWNER OF A SIGNIFICANT PORTION OF ALL HOME MORTGAGES, STATED THAT THEY WOULD NOT PURCHASE HOME LOANS WITH ASSESSMENTS SUCH AS THOSE OFFERED BY the Authority. THIS MAY MEAN THAT PROPERTY OWNERS WHO SELL OR REFINANCE THEIR PROPERTY MAY BE REQUIRED TO PREPAY SUCH ASSESSMENTS AT THE TIME THEY CLOSE THEIR SALE OR REFINANCING.

If your lender requires an impound for your property taxes, please consider notifying them of the annual assessment payment amount so they can adjust your impound amount.

- b. **Homeowners Associations.** 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 a HOA requires a Property Owner to remove and or modify any improvements financed by the Program, the Property Owner is still responsible for making payments as agreed in the PACE Assessment Contract.

PACE Funding Program Disclosures

- c. **Interest Rate.** You will be charged a fixed interest rate on your total financed amount. Your interest rate will be set at the time your financing documents are issued. Interest rates may change from the approval date to the date the Assessment Contract is signed..
- d. **Program Origination Fee.** At the time of closing, the Authority will charge you a one-time administration fee of 6.99% of the principal amount of the assessment on the Property to cover the costs of administering the Program. This fee will be added to the assessment amount
- e. **Lien Recording Fee.** At the time of closing, the Authority will pass through the assessment recording fee of \$125.00 to you to cover the costs of recording the assessment. This fee will be added to the assessment amount.
- f. **Loan Loss Reserve Account.** At the time of closing, the Authority will pass through the assessment recording fee of \$90.00 to you to cover the costs of maintaining a loss reserve account for all assessments that are recorded under the Program.
- g. **Foreclosure Expense Reserve Account.** At the time of closing, the Authority will pass through the foreclosure expense reserve payment of \$10.00 to you to cover the costs of participating in the state PACE foreclosure loss recovery program.
- h. **Annual Assessment Administration Fee.** Each year, an annual assessment administrative fee will be added to the assessment lien amount on your property tax bill. Currently these costs are \$45.00 and there will be adjustments in subsequent years for cost of living increases, not to exceed \$95.00. PACE Funding will provide at 90 days advance notice before modifying the Annual Assessment Administration Fee.
- i. **Interest Before First Payment:** Based on the date an assessment is recorded on your property the payment of assessment installments may not begin until the following year's property tax bill. As a result interest will be added to the assessment amount for the period between your closing date and the date of your first assessment payment. The maximum amount of interest will be listed on your Final Payment Summary, which will be provided with your financing documents.
- j. **Automated Valuation Model Disclosure.** You have the right to a copy of the automated valuation model (AVM) report used in connection with your application for credit. If you want to obtain a copy, please email or write to us at the address we have provided. We must hear from you no later than 90 days after we provide you with a notice of the action taken on your application or a notice of incompleteness, or in the case of a withdrawn application, 90 days after the withdrawal. An AVM is not an appraisal. It is a computerized property valuation system that is used to derive a real property value.
- k. **Foreclosure.** Not later than October 1 each year, the Authority shall determine whether any annual assessment installment is not paid when due and shall have the right and obligation to order that any such delinquent payment, penalties, interest, and associated costs be collected by an action brought in Superior Court to foreclose the lien of such delinquent assessment installment in the manner provided and to the extent permitted by applicable law.
- l. **Prepayment.** You have the option to pay off your assessment in full or in any amount at any time; however, partial prepayments in an amount less than \$2,500 are subject to a fee for the cost of administering the prepayment and the redemption of bonds. A prepayment is calculated to include the principal amount of the assessment to be prepaid (Assessment Prepayment Amount) and interest on the Assessment Prepayment Amount to the earlier of March 2nd or September 2nd occurring at least 50 days following the date the prepayment is made.
- m. **No Endorsement, Warranty or Liability.** The Authority and the Program do not endorse any manufacturer, contractor, product, or system, or in any way warranty such equipment, installation, or

the efficiency or production capability of any equipment. The Authority and the Program make no representations and have no responsibility regarding the equipment and its installation, including the quality, safety, cost savings, efficiency or production capability of any equipment; or any compliance of the equipment or its installation with any applicable laws, regulations, codes, standards or requirements. Further, the Authority and the Program shall not be in any way liable for any incidental or consequential damages resulting from the equipment or its installation.

- n. **Validation.** The Program may validate that installed Eligible Products meet Program eligibility requirements including requiring the applicant to provide additional sales receipts, contractor invoices, serial numbers or other identifying details, portions of packages or stickers originally attached to the installed Eligible Products within 30 days of project completion beyond what the Program already requires to be provided. The Program reserves the right to perform independent on-site validation(s) of any Eligible Products financed by the Program up to 90 days after installation even if permit inspections have already been completed. If a validation visit is required, Program staff will schedule any such on-site validation visit with the property owner, at any reasonable time and with reasonable notice. In addition, the Program reserves the right to perform online monitoring of any installed renewable energy systems' generation data, if applicable, as well the tracking of energy consumption impacts and utility usage for any installed/financed product via property utility bill data for the twelve months preceding and twelve months after project completion. You, by submitting this application, consent to any such onsite validations, online monitoring, and utility bill energy usage analysis. By submitting this application, you also agree to sign the authorization form to participate in utility billing energy usage analysis to measure Program impact savings and participant satisfaction.
- o. **Patriot Act Disclosure.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: As part of applying to the Program, the Authority may be required to ask for your name, address, date of birth, and other information that will allow it to identify you. The Authority may also need a copy of the driver's license or other identifying documents from any and all borrowers and guarantors.
- p. **Communications with Legal Advisers.** If you have any questions about any agreements or security instruments which affect the Property or to which you are a party, or about your authority to execute the Program Application or enter into an Assessment Contract with the Authority without the prior consent of your existing lender(s), the Program strongly encourages you to consult with your own legal counsel and your lender(s). Program staff cannot provide you with advice about existing agreements or security instruments.
- q. **Monitoring and Recording Telephone Calls.** The Program may monitor or record telephone calls for security and customer service purposes. By applying for PACE Funding Financing, you consent to have any phone conversations with the Program recorded or monitored.

Property Owner Signature(s)

I declare that (i) I have received, read and understand the risks and characteristics of the Program described in the Property Owner Acknowledgments and Disclosures set forth in this Application and (ii) I have been informed that I must take the sole responsibility to satisfy myself that executing the Assessment Contract, receiving financing for Eligible Products, and consenting to the assessment levied against the Property will not constitute a default under any other agreement or security instrument (specifically the terms of any mortgage on the Property) which affects the Property or to which I am a party.

Property Owner 1 Signature:

Date: _____

Printed Name:

PACE Funding Right to Cancel

Notification of Your Right to Cancel

You are entering into an Assessment Contract with the California Statewide Communities Development Authority (the "Authority") for PACE Funding Financing under the PACE Funding Program (the "Program") that will result in a lien on the property at the below address. Under the Program, you may cancel this transaction, without cost, within three (3) business days from the date on which you signed the Assessment Contract.

Property Owner(s):		
Property Address:		
<hr/>		
City:	State:	Zip:
<hr/>		
Application ID:	Application Date:	
<hr/>		
Assessment Contract Date:	Expiration Date:	

Property Owner(s) Acknowledgement of Receipt

I/we, the undersigned, acknowledge reading and receiving a complete copy of this Right to Cancel.

Property Owner 1 Signature: _____

Date:

Printed Name:

PACE Funding Right to Cancel

How to Cancel

If you decide to cancel this transaction, you must notify the Authority in writing at:

PACE Funding Group, LLC

750 University Ave. #240
Los Gatos, CA, 95032
contracts@pacefunding.com

You may use any written statement that is signed and dated by you and states your intention to cancel, or you may use this notice by dating and signing below. Please keep a copy of this notice for your records. If you cancel by mail, fax, or email, you must send the notice no later than midnight of the third business day following the date on which you signed the Assessment Contract. If you send or deliver your written notice to cancel some other way, it must be delivered to the above address no later than the time indicated above.

I/We Wish to Cancel

ONLY SIGN HERE IF YOU ARE CANCELLING YOUR FINANCING.

Property Owner 1 Signature: _____

Date:

Printed Name:

Agree to receive disclosures electronically

Before we may provide disclosures in an electronic format, we must obtain your consent. Carefully review the agreement, and select the "I Accept" button. This agreement is only for the receipt of disclosures, not for the content of disclosures themselves.

Your Consent To Do Business Electronically

The assessment for which you are applying involves various disclosures, records, and documents ("Assessment Documents"), including this Agreement. The purpose of this Agreement is to obtain Your consent to receive certain Assessment Documents from Us in electronic form rather than in paper form with Your consent, You will also be able to sign and authorize these Assessment Documents electronically, rather than on paper.

Before We can engage in this transaction electronically, it is important that You understand Your rights and responsibilities. Please read the following and affirm Your consent to conduct business with Us electronically. For purposes of this Agreement, "Assessment Documents" means the Assessment Documents related to this transaction that are provided electronically, "You" and "Your" mean the borrower(s) under the applicable assessment to which such Assessment Documents apply, and "We", "Our" and "Us" mean the applicable mortgage broker(s), assessment processor(s) or mortgage banker(s) with whom You are transacting business for such assessment(s).

SYSTEM REQUIREMENTS

In order to receive Assessment Documents electronically, You must have a computer with Internet access and an Internet email account and address: an Internet browser using 128-bit encryption or higher, Adobe Acrobat 7.0 or higher. SSL encryption and access to a printer or the ability to download information in order to keep copies of Your Assessment Documents for Your records.

If the software or hardware requirements change in the future, and You are unable to continue receiving Assessment Documents electronically, paper copies of such Assessment Documents will be mailed to You, once You notify Us that You are no longer able to access the Assessment Documents electronically because of the changed requirements. We will use commercially reasonable efforts to notify You before such requirements change. If You choose to withdraw Your consent upon notification of the change. You will be able to do so without penalty.

HOW WE CAN REACH YOU

You must promptly notify Us if there is a change in Your email address or in other information needed to contact You electronically. You can contact us at:

Phone: 844-USE-PACE

Address: 750 Univeristy Ave., Suite 240, Los Gatos, CA, 95032

We will not assume liability for non-receipt of notification of the availability of Assessment Documents electronically in the event Your email address on file is invalid; Your email or Internet service provider filters the notification as "spam" or "junk mail": there is a malfunction in Your computer, browser, Internet service and/or software; or for other reasons beyond Our control.

Please initial at the bottom of the page to consent to do business electronically.

Property Owner 1: _____

T: (844) USE - PACE
 F: 408-317-0381
 www.pacefunding.com

Truth in Lending Disclosures

Property Owner(s) Information

Property Owner(s): [Owner1 and Owner2]	Property Value (AVM): [PropertyValuation]	
Property Address: [PropertyStreetAddress]		
City: [PropertyCityAddress]	State: [PropertyState]	Zip: [PropertyZIP]
Application ID: [ProjectID]	Application Date: [TodayDate]	
Assessment Contract Date: [TodayDate]	Expiration Date: [[TodayDate] + 120 days]	

PACE Funding Eligible Products

Eligible Product(s)	Requested Product Amount
Product 1: [ProjectType1]	[ProjectCost1]
Product 2: [ProjectType2]	[ProjectCost2]
Product 3: [ProjectType3]	[ProjectCost3]
Product 4: [ProjectType4]	[ProjectCost4]
Product 5: [ProjectType5]	[ProjectCost5]
Total Maximum Requested Project Amount:	[TotalProjectCost]

Financing Summary

Your payments will be added to your property tax bill for [term] years. If your project is completed as evidenced by a fully-executed Completion Certificate on or before June 15, 20XX, your first payment will be included on your November 20XX tax bill. If your project funds after June 15, 20XX, your first payment will be included on your November 20XX tax bill. The following terms are estimates and are subject to change upon completion of work. This summary does not include tax deductions or energy savings. Estimated payment information on this document assumes all documentation is approved on [ExpectedCompletionDate]

Term: [Term]	Total Financed Amount (Assessment): [TotalProjectCost]
Interest Rate: [Rate]	Total Interest: [CapInterest]
Annual Percentage Rate: [APR]	Total Assessment Obligation Amount: [Assessment]
Annual Amount Added to Property Tax Bill: [AnnualPayment]	
Annual Administrative Fee: [AnnualAdminFee]	Total Estimated Administrative Expenses: [AdminFeeTotal]

Truth in Lending Disclosures

Upfront Costs

Totals

Program Origination: [Origination]	Total Project Amount: [TotalProjectCost]
Lien Recording: [LienFee]	Plus Total Fees and Capitalized Interest Included in Financed Amount: [Upfront Costs]
Loan Loss Reserve Account: [LoanLossReserve]	Equals Total Financed Amount: [Assessment]
Foreclosure Expense Reserve Account: [ReserveAccount]	Notes: a) This transaction will result in a lien being placed on the property identified above. b) If you pay early, you may have to pay a penalty c) fee. d) See your contract documents for additional information regarding non-payment, default, required repayment in full before scheduled date, and prepayment penalties.
First Year Annual Administrative Fee: [AnnualAdminFee]	
Capitalized Interest: [CapInterest]	

Other Considerations & Acknowledgements

Assumption	<p>If you sell or transfer this property to another person, we will allow this person to assume this financing on the original terms.</p> <p>I understand that if I refinance my home, my mortgage company may require me to pay off the remaining balances on this PACE assessment before refinancing the mortgage.</p>	Property Owner 1: Property Owner2:
Payments	<p>Your payments will be added to your property tax bill. Whether you pay your property taxes through your mortgage payment, using an impound account, or if you pay them directly to the tax collector, you need to save an estimated \$[AnnualPayment] for your first payment in November 2016. After your first payment, if you pay your property taxes through an impound account, your monthly mortgage payment should adjust to cover your increased property tax bill.</p>	Property Owner 1: Property Owner2:
Tax Benefits	<p>Consult your tax advisor regarding tax credits, tax deductibility, and other tax benefits of PACE financing. You are responsible for submitting appropriate documents with your tax return.</p>	Property Owner 1: Property Owner2:
Late Payments	<p>If your tax payment is late, you are subject to penalties and late fees established by the tax collector.</p>	Property Owner 1: Property Owner2:
Contractor Fee	<p>I understand that the contractor is paying PACE Funding a fee of \$X,XXX.XX to offer me this rate.</p>	Property Owner 1: Property Owner2:
Insurance	<p>I understand that this home improvement project may add value to the property and that it is my sole responsibility to contact my home insurance provider to determine whether the improvement to be financed by the PACE assessment is covered by my current insurance plan.</p>	Property Owner 1: Property Owner2:

Truth in Lending Disclosures

Property Owner(s) Acknowledgement of Receipt

I/we, the undersigned, acknowledge reading and receiving a complete copy of this PACE Funding Financing Statement and Summary.

Property Owner 1 Signature: _____ Date: [Today's Date] _____

Printed Name: [Owner 1]

Property Owner 2 Signature: _____ Date: [Today's Date] _____

Printed Name: [Owner 2]

EXHIBIT 1

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
OPEN PACE PROGRAM
ASSESSMENT CONTRACT**

THIS ASSESSMENT CONTRACT (this "Contract"), dated as of _____, is by and between the California Statewide Communities Development Authority (the "Authority"), and the record owner[s], _____ (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 California Statewide Communities Development Authority Open 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 PACE Funding Group LLC, 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 B (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 B.

Section 2. The Property. This Contract relates to the Property, which is described on Exhibit A. The Property Owner has provided to the Authority 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. The Property Owner agrees not to suffer or permit any change in such ownership or legal authority prior to completion of the Improvements.

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 Assessment set forth in Exhibit B is an estimate only and will be modified and finalized by means of an Addendum to this Contract in substantially the form set forth as Exhibit C hereto (the "Addendum") upon completion of the Improvements. If no Addendum is required then the estimated Assessment set forth in Exhibit B shall become the final Assessment upon completion of the Improvements. 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 borne 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 accrue as of the date on which the Improvements are completed (as evidenced by a fully-executed "Completion Certificate"), and shall be computed at the Maximum Interest Rate. For the period of time between when the Completion Certificate is signed by the Property Owner and September 2, 2019, the accrued interest will be calculated at the Maximum Interest Rate, capitalized and included in the amount of the Assessment ("Capitalized Interest"). The unpaid Assessment shall be payable in annual installments corresponding in number and in a 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 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 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 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, which shall be waived if the prepayment amount is at least \$2,500.

(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 of 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 in the manner and within the time frame 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.

Section 6. Term; Contract Runs with the Land; Division. Except as otherwise set forth in this Contract, this Contract shall expire upon the final payment or prepayment of the Assessment.

(a). 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.

(b). 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.

(c). In the event the Property is divided while the Assessment remains unpaid and all of the special benefit of the Improvements remain with one subdivided parcel, then such parcel shall be apportioned 100% of the Assessment. In the event the Property is divided while the Assessment remains unpaid and all of the special benefit of the Improvements does not remain with one subdivided parcel, then the Assessment shall be prepaid in accordance with the terms hereof.

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, Acknowledgement 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 XIIIID 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 any aspect of 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 Initials: |

(e). Property Owner hereby represents that the total amount of all current annual property taxes and assessments on the Property, including the Assessment, does not exceed five percent (5%) of the Property's current market value.

(f). The waivers, releases, representations 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 PACE Funding Group LLC or its assignee.

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 means of the Addendum or another 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, B and D attached to this Contract, and modified and finalized by an Exhibit C Addendum, if any, 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 SACRAMENTO; 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 A (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 Appendix B to the Program Handbook (as defined in Exhibit A 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, (D) the Program Handbook, and (E) the Notification of Your Right to Cancel.

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 _____, 20___. 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.

Section 25. Mortgage Lender Treatment of PACE Assessments. The Property Owner acknowledges that certain mortgage lenders may prohibit homeowners from participating in PACE programs such as the Authority's Program. See Exhibit D hereto for certain general information concerning such restrictions.

Section 26. Reassessment Disclaimer. The Property Owner acknowledges and understands that installation of the Improvements on the Property may cause the property to be reassessed for property tax purposes, and neither the Authority nor the Program Administrator have any duty, obligation or intention of providing such reassessment information to the Property Owner. The Property Owner acknowledges and understands that it is the Property Owner's responsibility to understand what state and local reassessment rules and regulations, and exclusions therefrom, apply to the Property and the Improvements. The Property Owner may obtain additional information from the State Board of Equalization at www.boe.ca.gov

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.

Property Owner 1:	
_____ Signature:	
Identity Verification Code:	Date (Month/Day/Year):

Authority: Authorized Signatory	
<u>CSCDA</u> Name:	
_____ Signature	Date of Execution By Authority

EXHIBIT A

DESCRIPTION OF PROPERTY, NOTICE INFORMATION AND LIST OF CONTRACT DOCUMENTS

Description of Property:

Property Owner(s) Name(s):
Property Address:
APN(s):
Legal Description:
Participating Entity:
County:

Notice Information:

PACE Funding Group, LLC
750 University Ave. #240
Los Gatos, CA, 95032
contracts@pacefunding.com

Property Owner Name
Address
City, State, Zip
email address

List of Contract Documents:

This Contract shall consist of the following documents:

1. This Contract and the exhibits hereto and any Addendum hereto;
2. The Application;
3. The Completion Certificate;
4. The Assessment Cost and Payment Summary;
5. The Notice of Assessment;
6. The Payment of Contractual Assessment Required;
7. The Program Handbook (CSCDA Program), Version 060116, dated June 1, 2016; and
8. The Program website located at pacefunding.com.

EXHIBIT B

DESCRIPTION OF IMPROVEMENTS, DISBURSEMENT, AND SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS, INCLUDING PRINCIPAL, INTEREST AND ANNUAL ASSESSMENT ADMINISTRATIVE FEE

Participating Contractor:

Description of Improvements:

The Improvements consist of the following:

Project Type	Manufacturer	Model	SKU	Quantity	Units	Cost
						Total

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.

Disbursement:

Funds equal to the cost of the Improvements will be disbursed directly to the Participating Contractor (set forth in Exhibit A) on behalf of the Proper Owner(s) within 5 business days of the execution of the Completion Certificate.

Maturity and Interest Rate:

1. The Final Maturity Date of the Bonds shall be no later than September 02, 20__.
2. The Assessment bears interest at a rate equal to Maximum Interest Rate of the Bonds, which is _____%.
3. 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.
4. The total administrative fees, recording fees and other fees and costs added to your assessment is \$_____.

Tax Year (commencing July 1)	Interest	Principal	Total Assessment	Annual Administrative Assessment Fee*	Total Estimated Contractual Assessment Payment
				Total	\$

* Estimated, will remain 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. THESE FINAL INSTALLMENTS WILL NOT EXCEED THE TOTAL ASSESSMENT PAYMENT LISTED ABOVE, BUT THE ANNUAL ADMINISTRATIVE ASSESSMENT FEES LISTED ABOVE MAY CHANGE. 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 SACRAMENTO.

Prepayment:

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

EXHIBIT C

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY OPEN PACE PROGRAM

ADDENDUM TO THE ASSESSMENT CONTRACT

Addendum No. 1

All terms set forth below in this Addendum (i) shall supersede and take precedence over any term in the Assessment Contract by and between the California Statewide Communities Development Authority, a joint exercise of powers authority (the "Authority"), and _____ (the "Property Owner") entered into on the Effective Date (defined within the Assessment Contract) (the "Contract") that conflicts with, is not covered by, or is otherwise inconsistent with, the terms set forth herein and (ii) shall become part of, and be incorporated into, the Contract, including Exhibit B thereto, as if they originally appeared therein. For the avoidance of doubt, any updates and clerical corrections appearing below in this Addendum shall become part of, and be incorporated into, the Contract as if they originally appeared therein.

RECITALS:

WHEREAS, the Authority and Property Owner have executed the Contract to finance the Improvements installed at the Property; and

WHEREAS, (i) the Improvements, Improvement types, Improvement categories and/or other information appearing in Exhibit B to the contract differ from those appearing in this Addendum, and/or (ii) the Assessment Amount and/or other information appearing in this Addendum differ from those originally listed in Exhibit B; and

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used in this Addendum and not otherwise defined herein shall have the meanings given to them in the Contract.
2. Addendum.
 - a. The information listed in this Addendum as Schedule 1 hereto shall replace in its entirety the information listed in Exhibit B to the Contract, and shall become Exhibit B to the Contract as if it originally appeared therein. If there are any inconsistencies between Exhibit A to the Contract and Schedule 1 to this Addendum, Schedule 1 to this Addendum shall govern.
 - b. The updates and clerical corrections and other additional or modified information (if any) appearing in the signature block of this Addendum or elsewhere shall supersede and take precedence over those originally appearing in the Contract and shall become part of, and be incorporated into, the Contract as if they originally appeared therein.
3. Miscellaneous. The existing Contract, as amended by this Addendum, remains in full force and effect. Any reference to the Contract from and after the date hereof shall be deemed to refer to the Contract as amended hereby.
4. Representations and Warranties.
 - a. Property Owner hereby represents and warrants that (i) the terms, conditions and information contained in this Addendum are true and correct, and (ii) the Property Owner affirmatively authorized installation of the Improvements identified herein and in the fully executed and final Completion Certificate.
 - b. Property Owner hereby confirms that (i) each of its representations, warranties and

covenants set forth in the Contract, after giving effect to this Addendum is true and correct as of the date first written above with the same effect as though each has been made as of such date, and (ii) all terms and conditions of the Contract shall remain in full force and effect and the Property Owner hereby ratifies the obligations there under.

SCHEDULE 1

(replacing Exhibit B to the Assessment Contract)

DESCRIPTION OF IMPROVEMENTS, DISBURSEMENT, AND SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS, INCLUDING PRINCIPAL, INTEREST AND ANNUAL ASSESSMENT ADMINISTRATIVE FEE

Description of Improvements:

The Improvements consist of the following:

Project Type	Manufacturer	Model	SKU	Quantity	Units	Cost
						Total \$

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.

Disbursement:

Funds equal to the cost of the Improvements will be disbursed directly to the Participating Contractor (set forth in Exhibit A) on behalf of the Proper Owner(s) within 5 business days of the execution of the Completion Certificate.

Maturity and Interest Rate:

1. The Final Maturity Date of the Bonds shall be no later than September 02, 20____.
2. The Assessment bears interest at a rate equal to Maximum Interest Rate of the Bonds, which is _____%.
3. 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.
4. The total administrative fees, recording fees and other fees and costs added to your assessment is \$_____.

Tax Year (commencing July 1)	Interest	Principal	Total Assessment	Annual Administrative Assessment Fee*	Total Estimated Contractual Assessment Payment
				Total	\$

** Estimated, will remain 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. THESE FINAL INSTALLMENTS WILL NOT EXCEED THE TOTAL ASSESSMENT PAYMENT LISTED ABOVE, BUT THE ANNUAL ADMINISTRATIVE ASSESSMENT FEES LISTED ABOVE MAY CHANGE. 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 SAN DIEGO.

Prepayment:

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

EXHIBIT D

ACKNOWLEDGEMENT OF FEDERAL HOUSING FINANCE AGENCY'S POSITION ON PACE ASSESSMENTS AND ISSUES RELATED THERETO

In May, 2010, Fannie Mae and Freddie Mac, government sponsored enterprises that purchase a large segment of conforming single family home mortgages from lending institutions, issued new instructions to lending institutions on how to treat properties with assessments under Property Assessed Clean Energy ("PACE") programs such as this one administered by PACE Funding Group, LLC. These letters, and additional statements issued by the Federal Housing Finance Agency, the agency that regulates single family home lenders among other things, instruct lenders to treat energy assessments as "loans" instead of "assessments."

On August 31, 2010, the agencies issued additional instructions to lenders to the effect that Fannie Mae and Freddie Mac "will not purchase mortgage loans secured by properties with an outstanding PACE obligation."

These letters and statements may lead lenders to conclude the PACE assessment should be paid off before a property transfers or is refinanced. In addition, it may lead some lenders to conclude that participating in a PACE program is a violation of typical mortgage terms prohibiting senior liens without lender consent. If you are selling your property, a buyer's lender may refuse to finance the buyer's first mortgage loan unless the assessment is paid off. We urge you to carefully read the disclosure information in the Program application, review your mortgage documents, evaluate the risks of proceeding with an application at this time, and contact your lender if you have any concerns or for information regarding any other financing options that may be available to you.

Electronic links to the copies of certain letters from the Federal Financing Housing Authority re: PACE programs:

1. <https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2010/ll1006.pdf>
2. <http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/iltr050510.pdf>
3. <http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Statement-on-Certain-Energy-Retrofit-Loan-Programs.aspx>
4. <http://www.fhfa.gov/Media/PublicAffairs/Pages/Statement-of-FHFA-Acting-Director-Edward-J-DeMarco-on-PACE-Programs.aspx>
5. <https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2010/sel1012.pdf>
6. <http://www.freddiemac.com/singlefamily/guide/bulletins/pdf/bll1020.pdf>

The Authority and Program Administrator make no representation that the foregoing information and links are complete or up-to-date.

I/We have read this Exhibit D. All Property Owners on title must initial below:

Initials	Date

EXHIBIT C

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY OPEN PACE PROGRAM

ADDENDUM TO THE ASSESSMENT CONTRACT

Addendum No. 1

All terms set forth below in this Addendum (i) shall supersede and take precedence over any term in the Assessment Contract by and between the California Statewide Communities Development Authority, a joint exercise of powers authority (the "Authority"), and _____ (the "Property Owner") entered into on the Effective Date (defined within the Assessment Contract) (the "Contract") that conflicts with, is not covered by, or is otherwise inconsistent with, the terms set forth herein and (ii) shall become part of, and be incorporated into, the Contract, including Exhibit B thereto, as if they originally appeared therein. For the avoidance of doubt, any updates and clerical corrections appearing below in this Addendum shall become part of, and be incorporated into, the Contract as if they originally appeared therein.

RECITALS:

WHEREAS, the Authority and Property Owner have executed the Contract to finance the Improvements installed at the Property; and

WHEREAS, (i) the Improvements, Improvement types, Improvement categories and/or other information appearing in Exhibit B to the contract differ from those appearing in this Addendum, and/or (ii) the Assessment Amount and/or other information appearing in this Addendum differ from those originally listed in Exhibit B; and

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used in this Addendum and not otherwise defined herein shall have the meanings given to them in the Contract.
2. Addendum.
 - a. The information listed in this Addendum as Schedule 1 hereto shall replace in its entirety the information listed in Exhibit B to the Contract, and shall become Exhibit B to the Contract as if it originally appeared therein. If there are any inconsistencies between Exhibit A to the Contract and Schedule 1 to this Addendum, Schedule 1 to this Addendum shall govern.
 - b. The updates and clerical corrections and other additional or modified information (if any) appearing in the signature block of this Addendum or elsewhere shall supersede and take precedence over those originally appearing in the Contract and shall become part of, and be incorporated into, the Contract as if they originally appeared therein.
3. Miscellaneous. The existing Contract, as amended by this Addendum, remains in full force and effect. Any reference to the Contract from and after the date hereof shall be deemed to refer to the Contract as amended hereby.
4. Representations and Warranties.
 - a. Property Owner hereby represents and warrants that (i) the terms, conditions and information contained in this Addendum are true and correct, and (ii) the Property Owner affirmatively authorized installation of the Improvements identified herein and in the fully executed and final Completion Certificate.
 - b. Property Owner hereby confirms that (i) each of its representations, warranties and

covenants set forth in the Contract, after giving effect to this Addendum is true and correct as of the date first written above with the same effect as though each has been made as of such date, and (ii) all terms and conditions of the Contract shall remain in full force and effect and the Property Owner hereby ratifies the obligations there under.

SCHEDULE 1

(replacing Exhibit B to the Assessment Contract)

DESCRIPTION OF IMPROVEMENTS, DISBURSEMENT, AND SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS, INCLUDING PRINCIPAL, INTEREST AND ANNUAL ASSESSMENT ADMINISTRATIVE FEE

Description of Improvements:

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Project Type	Manufacturer	Model	SKU	Quantity	Units	Cost
						Total \$

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.

Disbursement:

Funds equal to the cost of the Improvements will be disbursed directly to the Participating Contractor (set forth in Exhibit A) on behalf of the Proper Owner(s) within 5 business days of the execution of the Completion Certificate.

Maturity and Interest Rate:

1. The Final Maturity Date of the Bonds shall be no later than September 02, 20____.
2. The Assessment bears interest at a rate equal to Maximum Interest Rate of the Bonds, which is _____%.
3. 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.
4. The total administrative fees, recording fees and other fees and costs added to your assessment is \$_____.

Tax Year (commencing July 1)	Interest	Principal	Total Assessment	Annual Administrative Assessment Fee*	Total Estimated Contractual Assessment Payment
				Total	\$

* Estimated, will remain 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. THESE FINAL INSTALLMENTS WILL NOT EXCEED THE TOTAL ASSESSMENT PAYMENT LISTED ABOVE, BUT THE ANNUAL ADMINISTRATIVE ASSESSMENT FEES LISTED ABOVE MAY CHANGE. 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 SAN DIEGO.

Prepayment:

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