

**Comments to
The Consumer Financial Protection Bureau**

**Regarding
Advance Notice of Proposed Rulemaking
for
Residential Property Assessed Clean Energy (PACE) Financing**

Docket No. CFPB-2019-0011

Submitted By

**National Consumer Law Center
(on behalf of its low-income clients)**

and

National Housing Law Project

May 7, 2019

A. Introduction

Thank you for the opportunity to comment on the Bureau's ANPR regarding Property Assessed Clean Energy (PACE) loans. The National Consumer Law Center¹ (on behalf of its low-income clients) and the National Housing Law Project² submit these comments based on the experience of our organizations as well as the developments advocates in the field have observed first-hand for several years. This is an important moment in the evolution of PACE mortgage loans and Congress's directive to issue regulations presents an opportunity to ensure that this emerging credit product abides by safe and transparent practices. For many homeowners, especially low-income and elderly borrowers, PACE loans are often unaffordable mortgage products triggering default and foreclosure.

The Bureau should propose a strong Ability to Repay rule that takes into account the uniquely harmful aspects of the PACE mortgage loan product and also regulations to address the remainder of TILA, including provisions addressing disclosure, periodic statements, arbitration and waiver clauses, loan originator compensation, and higher and high-cost mortgage rules. Some of these provisions require little or no adjustment for PACE, such as the procedure for implementing rescission rights and the rules regarding arbitration and dispute right clauses. Others may require some adjustment, such as periodic statements, an effort that is both doable and necessary.

For the last several years, evidence has been emerging that PACE loans are responsible for many low-income, often elderly, homeowners facing default and foreclosure. Many PACE loans also are push-marketed in low-income communities of color. As described in comments submitted in California³ and in the NCLC issue brief,⁴ as well as news coverage,⁵ litigation,⁶ and in the

¹ Since 1969, the nonprofit **National Consumer Law Center® (NCLC®)** has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. www.nclc.org

² The **National Housing Law Project (NHLP)** is a non-profit law and advocacy center established in 1968 and based in San Francisco, California. NHLP is dedicated to advancing housing justice by using the power of the law to increase and preserve the supply of decent affordable housing, improve existing housing conditions, expand and enforce low-income tenants' and homeowners' rights, and increase opportunities for racial and ethnic minorities. www.nhlp.org.

³ National Consumer Law Center and National Housing Law Project, Comments to the California Department of Business Oversight (Jan. 5, 2018), *available at* https://www.nclc.org/images/pdf/energy_utility_telecom/pace/comments-nhlp-cdbo-2018.pdf

⁴ National Consumer Law Center, *Residential Property Assessed Clean Energy (PACE) Loans: The Perils of Easy Money for Clean Energy Improvements* (Sept. 2017), *available at* https://www.nclc.org/images/pdf/energy_utility_telecom/pace/ib-pace-stories.pdf.

⁵ See, e.g., Anna Scott, *When Going Green Brings an Unexpected Financial Burden*, KCRW (Mar. 5, 2019), *available at* <https://www.kcrw.com/news/shows/kcrw-features/when-going-green-brings-an-unexpected-financial-burden>.

Appendix and Exhibits to these comments, PACE lending has become an urgent problem in low-income communities where the product is actively sold, upending financial stability for homeowners whose neighborhoods already were decimated by the Great Recession. In fact, the manner of sale and effect on low-income homeowners bears many similarities to subprime lending abuses that contributed to the recent financial crisis.

While below we provide answers to the Bureau's ANPR questions, first we present our proposal for how the Bureau should regulate PACE mortgage loans and the rationale and authority for such action. Our proposals and answers are all guided by several key principles that have emerged from our work with PACE loan borrowers and their attorneys over the last several years:

- PACE loans are mortgage loans and should be regulated as such. For the most part, they are not unique, though certain attributes make them riskier than mortgages.
- Home loans for environmental retrofits can be good for homeowners and the environment, but affordability and transparency are critical elements to ensure that environmental goals are not being pursued at the expense of low-income and/or elderly homeowners.
- PACE loans have pushed many low-income and/or elderly homeowners and borrowers of color into default and foreclosure. Reverse mortgage borrowers represent a significant subset of low-income PACE loan borrowers.
- To the extent PACE loans are unique, it is because they are riskier due to high rates and fees, point of sale marketing, the superpriority lien, and limited procedural and substantive protections during origination, servicing and foreclosure.
- PACE loan sales methods involve practices that create opportunities for abuse through push marketing, closings conducted electronically on tablets and smart phones, and the use of contractors as sales agents. Contractors have often used PACE as a means for entering into abusive home improvement arrangements.
- State law developments have not addressed the endemic PACE loan problems in the market. Moreover, the Bureau's TILA jurisdiction and Congress's recent mandate impose a duty to properly regulate PACE loans.
- Local government sponsorship of PACE programs has been used by front-line salespeople to lure unsuspecting homeowners into arrangements they believe are government-endorsed, money-saving and advantageous to the homeowner.

B. Ability-to-Repay Recommendations

When Congress passed the Economic Growth, Regulatory Relief and Consumer Protection Act of 2018,⁷ section 307 amended TILA to require the CFPB to issue regulations addressing the application of the general TILA ability-to-repay standards to PACE loans, including by

⁶ Andrew Khouri, *Lawsuits Filed Against LA County, Lenders over Green Energy Program*, L.A. Times (Apr. 12, 2018), available at <https://www.latimes.com/business/la-fi-pace-lawsuits-20180411-story.html>.

⁷ Pub. L. No. 115-174, 132 Stat. 1296 (2018).

providing for its unique characteristics. Below we set out our recommendations for a PACE Ability-to-Repay rule.

Where we highlight PACE's unique posture, we do so to recommend additional consumer protection considerations that require heightened standards. First, HECM borrowers and borrowers without escrow accounts face the requirement of saving money over many months before making a PACE payment. Provision should be made for the additional burden on the borrower of saving funds for such large, lump-sum payments. Second, borrowers with escrow accounts spend the first few months of a PACE loan making escrow payments that do not include PACE, thus setting up an escrow shortage going forward. We recommend additional measures to address this problem. Third, we recommend procedures and an enhanced remedy to avoid loan stacking. Finally, due to the heightened risks associated with PACE,⁸ we note that the Qualified Mortgage presumption is not appropriate for PACE lending. TILA's remedies for the ability-to-repay requirement should be explicitly applied to PACE loans.

PACE loans are mortgage loans and should be regulated by a robust Ability-to-Repay Rule.

Congress has directed the Bureau to write regulations addressing the treatment of PACE loans under the TILA Ability-to-Repay (ATR) rule.⁹ The Bureau should issue a strong and thorough rule that explicitly applies the Dodd-Frank ATR test to PACE loans. As described in detail below, PACE loans already constitute consumer credit and meet the definition of "residential mortgage loan." A strong ATR rule would ensure that a homeowner is adequately protected prior to entering into a loan that could place that homeowner at risk of default and foreclosure.

Even beyond formal definitions, the importance of this issue is clear: when a homeowner becomes a PACE borrower, there is a superpriority lien on the person's primary residence. If the loan is unaffordable, the homeowner faces default and in many cases foreclosure. This foreclosure risk is not present for homeowners who finance environmental retrofits with credit cards or other unsecured loans. Moreover, because the loans are processed through the tax system, foreclosure lacks many of the essential protections available to homeowners facing foreclosure on a traditional first lien mortgage. Thus, ensuring a thorough ATR analysis prior to the closing of a PACE loan is an important first step in restoring fairness to this market.

Elements of a strong ATR rule should include:

Broad applicability. As described below, the Dodd-Frank ATR test applies to residential mortgage loans. The Bureau's residential mortgage ATR test similarly should apply to PACE loans. It is important to note that while the current ATR test does not apply to reverse mortgages, PACE loans provided to borrowers who have reverse mortgages would be subject to the ATR requirement, since they are separate products.

⁸ While high cost mortgages are currently included in the Qualified Mortgage rule, we also recommend that the Bureau remove them from the QM purview, due to their inherently risky nature.

⁹ Pub. L. No. 115-174, 132 Stat. 1296 (2018).

The Dodd-Frank flexible yet rigorous ATR test. Regulation Z applies the requirement in 15 U.S.C. § 1639b(c) by providing that a creditor must make “a reasonable and good faith determination at or before consummation that the consumer will have a reasonable ability-to-repay the loan according to its terms.”¹⁰

The regulation elaborates:

A creditor must consider the following:

(i) The consumer's current or reasonably expected income or assets, other than the value of the dwelling, including any real property attached to the dwelling, that secures the loan;

(ii) If the creditor relies on income from the consumer's employment in determining repayment ability, the consumer's current employment status;

(iii) The consumer's monthly payment on the covered transaction, calculated in accordance with paragraph (c)(5) of this section;

(iv) The consumer's monthly payment on any simultaneous loan that the creditor knows or has reason to know will be made, calculated in accordance with paragraph (c)(6) of this section;

(v) The consumer's monthly payment for mortgage-related obligations;

(vi) The consumer's current debt obligations, alimony, and child support;

(vii) The consumer's monthly debt-to-income ratio or residual income in accordance with paragraph (c)(7) of this section; and

(viii) The consumer's credit history.¹¹

It is important to note that the rule provides that the creditor must consider either a debt-to-income ratio (including all outstanding debt, taxes, insurance, and association fees, as well as simultaneous mortgages) or residual income (subtracting all regular debt payments from income).¹² Yet, the residual income test itself relies on properly measuring debt and income. As the regulation provides:

“If a creditor considers the consumer's monthly residual income under paragraph (c)(2)(vii) of this section, the creditor must consider the consumer's remaining income after subtracting the consumer's total monthly debt obligations from the consumer's total monthly income.”¹³

¹⁰ 12 C.F.R. § 1026.43(c)(1).

¹¹ 12 C.F.R. § 1026.43(c)(2).

¹² 12 C.F.R. § 1026.43(c)(2)(vii).

¹³ 12 C.F.R. § 1026.43(c)(7)(iii)(B).

Thus, if a residual income measure is used for PACE, a creditor or its agent is responsible for properly measuring the borrower's income and debt load prior to consummating the PACE loan. Moreover, at the time the original Dodd-Frank requirements were passed by Congress and then were implemented by the Bureau, the main residual income measure used in mortgage lending was the "teeter totter" rule used by the Veteran's Administration for VA mortgage loans. While residual income is the primary test used for underwriting VA loans, the guidelines go on to require a DTI analysis that states that where a DTI exceeds a set threshold, residual income must exceed the minimum number by at least 20%.¹⁴ Thus, residual income, even as a test of its own, necessarily requires both a proper analysis of debt and income, and some proven relationship to affordability. For the VA test, the only commonly used mortgage residual income test, it is inextricably tied to DTI.

The Bureau's PACE ATR rule should clearly state that any use of residual income should be based on a reasonably reliable method for measuring affordability. While there are many stand-alone residual income products in development, we have not yet seen any consensus develop around a stand-alone residual income measure. The use of the VA chart or something similar on its own is not a reasonably reliable measure of loan affordability. First, the numbers have not been updated in many years. Second, the chart does not adequately provide the granularity needed to ensure affordability in high cost markets such as California, or within regions in the same state. While some PACE program administrators have adapted their own residual income tests, these comments and others submitted by consumer advocates demonstrate that many loans made under existing PACE residual income measures have not been affordable.

The Bureau should establish that any PACE residual income measure should be properly tested, reviewed by the Bureau and publicly available (including any expense matrix), so that homeowners and their advocates can ensure proper compliance. While residual income is the subject of significant discussion in the context of the overall TILA ATR test, the Bureau can establish standards for PACE residual income usage without addressing it for the overall market. Such a step is important because, unlike in the rest of the market, PACE program administrators are actively using stand-alone residual income tests at present, with imprecise and unaffordable results.

Income verification and documentation. Regulation Z provides clear verification and documentation requirements. Verification must rely on reasonably reliable third-party records. Section 1026.43(c)(3)(iii) states that a credit report can be used to verify current debt obligations, but the rules have detailed guidelines for verifying income.

4) Verification of income or assets. A creditor must verify the amounts of income or assets that the creditor relies on under § 1026.43(c)(2)(i) to determine a consumer's ability to repay a covered transaction using third-party records that provide reasonably

¹⁴ VA Pamphlet 26-7, Revised, Ch. 4: Credit Underwriting, available at https://www.benefits.va.gov/WARMS/docs/admin26/pamphlet/pam26_7/ch04.doc.

reliable evidence of the consumer's income or assets. A creditor may verify the consumer's income using a tax-return transcript issued by the Internal Revenue Service (IRS). Examples of other records the creditor may use to verify the consumer's income or assets include:

- (i) Copies of tax returns the consumer filed with the IRS or a State taxing authority;*
- (ii) IRS Form W-2s or similar IRS forms used for reporting wages or tax withholding;*
- (iii) Payroll statements, including military Leave and Earnings Statements;*
- (iv) Financial institution records;*
- (v) Records from the consumer's employer or a third party that obtained information from the employer;*
- (vi) Records from a Federal, State, or local government agency stating the consumer's income from benefits or entitlements;*
- (vii) Receipts from the consumer's use of check cashing services; and*
- (viii) Receipts from the consumer's use of a funds transfer service.¹⁵*

While California has a rule on income verification, other PACE states do not and a federal rule is essential to ensuring this baseline consumer protection for PACE loan borrowers. Further, as Fintech develops in this area, the question arises as to whether automated income verification can be used to satisfy this test--whether such an approach is “reasonably reliable.” Certain types of automated verification do not comply with this standard, such as methods that use average income for the homeowner’s employer or local area. California Financial Code Section 22687(b)(1) permits the use of automated income verification only if the source of the verification is “specific to the income of the property owner and not based on predictive or estimation methodologies, and has been determined sufficient for such verification purposes by a federal mortgage lending authority or regulator.”

Adopting a similar rule at the federal level would provide clarity while still allowing for innovation. However, without express guidance as to what is “specific” to a property owner, some program administrators may attempt to use automated income verification systems or other forms of verification that are not consistent with the minimum statutory requirements. The rule should provide examples of what is not acceptable. For example, it should state that records and data regarding average incomes in the homeowner's geographic location or average wages paid by the homeowner's employer are not sufficient for income verification.

Consideration of the infrequent nature of PACE payments. Pursuant to the Bureau’s mandate to consider the unique nature of PACE, the rule should reflect the fact that even if a borrower has the monthly income to cover the PACE payments, those payments come due only once or twice per year. As a result, there is an additional burden on the borrower to save the

¹⁵ 12 C.F.R. § 1026.43(c)(4).

money and make lump-sum payments, together with the preexisting tax obligations, when the tax bill comes due. The Bureau should consider additional measures of affordability to account for this supplemental burden. As discussed further below, such a framework also requires clear disclosures, provided in advance, for the homeowner to consider this arrangement.

Moreover, other payment problems exist for reverse mortgage borrowers. These borrowers do not even need to budget for monthly mortgage payments. Their only obligations are to keep up with taxes and insurance and to maintain the property and occupancy in it. Adding a PACE loan to a reverse mortgage creates a significant additional burden for the reverse mortgage borrower, as illustrated by many of the stories included in the comments submitted by others in California and Florida.¹⁶

Provisions to address borrowers with existing escrows. Homeowners with existing mortgage escrow accounts are accustomed to paying taxes and insurance on a monthly basis. Yet, when a PACE loan is added to a borrower's tax bill, the amount needed on a monthly basis is not automatically added to the escrow by the mortgage servicer. To the contrary, the servicer only knows to increase the escrow payment after the new property tax bill arrives, often many months later, resulting in a shortage in the escrow account. This issue is discussed more fully in comments below. Moreover, once the escrow payment is adjusted to account for the PACE loan, the servicer will typically add an escrow cushion of 1/6 of the annual property tax increase. As a result, homeowners with escrows often face a predictable payment spike that induces a cycle of incomplete payments and resulting mortgage delinquencies.

In light of these concerns, we recommend that the PACE ATR determination include:

- (1) 1/6 of the annual property tax increase attributable to the PACE assessment to cover the likelihood of the servicer including the permitted escrow cushion; and
- (2) Inclusion of the cost of a likely escrow shortage payment.

One approach for potentially avoiding the escrow shortage would be to require the PACE program administrator to promptly notify the servicer of the additional tax liability, rather than leaving homeowners to figure out how to do this, as many PACE programs currently do. That way, there might be less of a delay before the homeowner's escrow payment reflects the higher property tax bill, assuming the notification occurs near the anniversary date for the homeowner's annual escrow analysis or the servicer opts to conduct an early, "short year" analysis.

Rules to address loan stacking. As discussed in detail in exhibits to these comments as well in submissions from other practitioners, contractors often seek to maximize their income from PACE financing and evade any existing loan-to-value limits by returning to a PACE borrower to sell additional products with additional PACE loans, often through a different PACE program

¹⁶ We question whether PACE loans should even be permitted when there is already a reverse mortgage in place—an issue HUD should explore--and urge the Bureau to consider even stronger ATR rules to the extent that PACE programs continue to extend PACE financing to reverse mortgage borrowers.

administrator. In some cases, a contractor divides up the work for a single project and bids it out to different PACE administrators, analogous to loan splitting.

TILA's ATR rules require inclusion of previous PACE loans in the analysis for the new PACE loan. The regulation requires consideration of "[t]he consumer's monthly payment on any simultaneous loan that the creditor knows or has reason to know will be made"¹⁷ This provision was included to address "loan splitting," where the loan is divided into pieces to make each one appear smaller. Moreover, the rule requires in subsections (v) and (vi) that the creditor consider mortgage-related obligations and current debt obligations. As we discuss later in these comments, PACE loans are both mortgage-related and debt.

Thus, the creditor is required to include any other pre-existing PACE loan in the ATR analysis, whether functionally simultaneous or separated in time. Yet, including recent PACE loans in a new loan's ATR analysis is challenging as recent loans may not have become part of the public record by the time a new PACE loan is being underwritten. At present, there is no system for PACE administrators or a borrower's advocate or counselor to verify any existing PACE loans on a property if they have not yet been recorded. However, California state law authorizes the Commissioner of the Department of Business Oversight to require program administrators to use a real-time registry or database system for tracking both recorded and unrecorded PACE assessments,¹⁸ and our understanding is that such a system will be available at some time in the future.

Thus, while all PACE loans, including any that are not yet recorded, should be considered—and asked about—as part of the ATR analysis, the Bureau should establish a standard that requires inclusion of such information as long as the data is reasonably available.

Even where a tax lien is not recorded or on the tax roll, the program administrator is able and should be required to check with the local government PACE sponsors, as they have records of all approved assessments in the program even before the lien is recorded. In fact, the local government sponsor is the PACE creditor. If a program administrator is put on notice that a prior PACE loan may have been made after inquiring with local government PACE sponsors or obtaining other information (such as inquiries on the borrower's credit report), it could then contact the program administrator for the earlier assessment or the PACE sponsor to confirm whether the earlier project was funded and at what level. This could be done in California until the database is up and running. In Florida and Missouri, the small number of local sponsors would make such a process easily manageable where no database is in development. In other words, the problem of loan stacking and presence of current infrastructure to provide relevant information creates a due diligence obligation on the program administrator to ensure any ATR analysis includes recent assessments from other administrators.

Where a PACE loan has been made without proper compliance with the ATR requirement because a previous PACE loan reasonably should have been included in the analysis, the homeowner should have access to a remedy that will properly address the problem. While the TILA ATR rule allows for enhanced damages—the sum of all finance charges and fees paid by

¹⁷ 12 C.F.R. § 1026.43(c)(2)(iv).

¹⁸ Cal. Fin. Code § 22693.

the consumer—this does not unravel the tax lien, which creates uniquely harmful risks to the homeowner. Accordingly, for violations of the ATR rule associated with PACE loan stacking, the Bureau should explicitly address the availability of rescission. Rescission provides lien protection not available from the enhanced damages remedy. Because regular assessment payments are not adjusted even if the total amount due is decreased, homeowners also will need access to a modification process that allows for a change in each payment amount in order to provide a meaningful remedy for this ATR violation.

As described in detail below, the Bureau has the authority to establish rescission as a remedy for loan stacking violations. First, for PACE loans that are essentially part of the same set of home improvement projects, as a matter of factual analysis, the loans really constitute one loan, as with loan splitting. In some cases the creditor, the governmental PACE sponsor, may be the same creditor on all of the PACE loans, so that loans in close proximity are functionally one loan from the same creditor. Thus, the disclosures, set up for two loans but really part of the same transaction, contain material violations that trigger rescission. Second, where the projects are separated in time and are not formally part of a loan splitting scenario (or for all loan stacking scenarios to avoid reliance on the separate disclosure regime), the Bureau has the authority to apply rescission to these circumstances as it has in other instances (an authority discussed in detail in the answer to Question 32).

No Qualified Mortgage presumption. Due to the heightened risks associated with PACE,¹⁹ the Qualified Mortgage presumption is not appropriate for PACE lending. The Bureau's charge from Congress is to establish explicit PACE ATR rules that take into account the unique nature of PACE. As discussed above and as is clear from the information provided in these comments and in those from other advocates, while in many ways PACE is no different from other types of mortgage products, to the extent PACE loans are unique, it is because they are riskier. PACE is a relatively new product that so far has become a source of mortgage abuse and heightened foreclosure risk for many low-income, elderly borrowers and homeowners in communities of color. The Qualified Mortgage rule is intended to create a presumption of no liability for inherently safer loans. PACE's structure is, by definition, unsafe and requires a higher ATR standard with no presumption of ATR compliance.

TILA remedies, including enhanced damages and assignee liability, and rescission for loan stacking. As described in detail in these comments, the Bureau's PACE ATR rule necessarily triggers remedies under sections 1640 and 1641 of TILA. While remedies vary depending on which provision of TILA applies, for the ATR rule, remedies include statutory and actual damages, enhanced damages, attorneys fees and costs. Rescission is not currently available for ATR violations. Affirmative actions under the ATR rule have a statute of limitations of three years. Maintaining these remedies is essential to promote rule compliance and to ensure harmed consumers are properly compensated.

¹⁹ While high cost mortgages are currently included in the Qualified Mortgage, we also recommend that the Bureau remove them from the QM purview, due to their inherently risky nature.

As described above, rescission would be an important additional remedy in cases of loan stacking. Moreover, for all ATR violations, including loan stacking, it is important for homeowners to be able to decrease their assessment payments through a modification process. Without a change to the assessment payments, the grant of damages on its own would leave periodic payments untouched, although the term would be shorter, leaving the homeowner with the same unaffordable payments even after a remedy has been provided.

As described elsewhere in these comments, existing state laws do not provide the same level of protection as Truth in Lending's ATR requirement. Of the states with active residential PACE programs only California has any ATR requirement at all. And even in California, the statutory ATR rules are not as rigorous as the Truth in Lending ATR requirement. Moreover, unlike TILA, where there is an emergency exception that applies only to disclosures and waiting periods, California has an emergency exception that applies to the verification of income in the ATR evaluation itself.²⁰

C. The Bureau's Authority

PACE loans already are subject to TILA as "credit" and the Bureau can regulate PACE under all applicable provisions of the Act.

The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018²¹ amended TILA to require the CFPB to issue regulations addressing the application of the general TILA ability-to-repay standards to PACE loans, including by providing for its unique characteristics. The directive to write regulations under this TILA provision assumes TILA coverage. In fact, the Bureau would have no authority to issue regulations under TILA if PACE loans were not credit, as TILA applies to consumer credit transactions primarily for personal, family or household purposes.²² Below we lay out the legislative and regulatory basis for PACE coverage under TILA as consumer credit and as a residential mortgage loan. We also set out the Bureau's authority, pursuant to the *Chevron* doctrine and TILA's own legislative history, to issue regulations addressing PACE coverage under additional portions of TILA.

TILA's legislative and regulatory history demonstrate that PACE is credit.

While there is no longer any question that PACE is credit, this section discusses the reasons why PACE loans fall within the statutory definition of credit even if Congress had not clarified this point by amending TILA to compel PACE regulations. The history and text of the Truth in Lending Act (TILA) and Regulation Z make clear that PACE loans constitute credit; they are not exempt from TILA's credit purview despite their association with the tax system.

Neither the original TILA nor its accompanying Regulation Z contained an exemption from TILA or an exclusion from any of the definitional prerequisites under the Act for tax liens, tax assessments, and court judgments. In 1981, the definition of "credit" that appeared in the Federal

²⁰ Cal. Fin. Code § 22687(e).

²¹ Pub. L. No. 115-174, 132 Stat. 1296 (2018).

²² 12 C.F.R. § 1026.1(c)(1).

Reserve Board's (FRB) inaugural version of the official staff commentary incorporated earlier staff opinion letters from 1969 excluding such items from the definition of credit. The commentary stated that the following is not considered credit: "[T]ax liens, tax assessments, court judgments, and court approvals of reaffirmation of debt in bankruptcy. However, third-party financing of such obligations (for example, a bank loan to pay off a tax lien) is credit for purposes of the regulation."²³

The language of this exclusion has remained unchanged since 1981. The CFPB adopted it verbatim in 2011 after the Dodd-Frank Act transferred jurisdiction over TILA to the agency.²⁴ The rationale for the exclusion can be summarized in this way: tax liens, tax assessments, and court judgments constitute involuntary obligations not contracted for between the parties and therefore are not "credit" under TILA. Conversely, if an obligation is voluntary, i.e., consensual, and the obligor is granted the right to defer payment of the debt or incur debt and defer its payment, "credit" is extended.²⁵ If a third party extends a loan to pay off an involuntary tax lien, tax assessment, or court judgment, that transaction also constitutes credit.²⁶ As discussed below, PACE loans clearly fall into the former category.

The fact that a local authority provides the funds to the contractor installing the energy improvements does not affect the application of TILA. A government or governmental subdivision or agency can be a "creditor" under TILA.²⁷ PACE documents extend "credit" because they create a debt and give the homeowner the right to defer payment of the debt. Moreover, the credit constitutes "consumer credit" because the monies provided pay for energy-related home improvements to homes used for family, personal, or household purposes.²⁸

The FRB's letters, regulations and interpretations consistently distinguished involuntary obligations from voluntary transactions. If an obligation is voluntary, i.e., consensual, and the obligor is granted the right to defer payment of the debt or incur debt and defer its payment, "credit" is extended. A voluntary contractual assessment is distinct from a tax assessment in that the latter is levied by the local authority without the contractual consent of the homeowner. Consequently, a tax assessment is involuntary.²⁹ The voluntary PACE assessment program did not exist at the time the FRB issued the 1981 commentary. As a result, the FRB did not address use of "assessment" in the context of a voluntary agreement.

The word "debt" is not defined by TILA or Regulation Z. Thus, the regulation instructs that state law or the contract determines the meaning.³⁰ PACE assessment contracts do not define

²³ Official Staff Commentary § 226.2(a)(14)-1; 46 Fed. Reg. 50,288, 50,292 (Oct. 9, 1981). The official staff commentary is now known as the official interpretations.

²⁴ Official Interpretations § 1026.2(a)(14)-1; 76 Fed. Reg. 79,767, 79,918 (Dec. 22, 2011).

²⁵ 15 U.S.C. § 1602(f).

²⁶ Official Interpretations § 1026.2(a)(14)-1.

²⁷ 15 U.S.C. § 1602(d), (e), (g).

²⁸ Reg. Z § 1026.2(a)(12).

²⁹ Cal. Const. art. XIID, §§ 2, 4.

³⁰ 12 C.F.R. § 1026.2(b)(3).

“debt.” Using California³¹ common law as an example, it provides that: “A sum of money which is certainly and in all events payable is a debt, without regard to the fact whether it be payable now or at a future time. A sum payable upon a contingency, however, is not a debt, or does not become a debt until the contingency has happened.”³² Applying this state law definition, the PACE assessment contract creates a “debt” because it creates a liability for a specific sum of money by agreement that arises at the time the contract is signed.³³ The contract, therefore, meets the TILA definition of “credit” because payment of the debt is deferred over time.

This state law analysis of what constitutes “debt” is supported by the reasoning in *Pollice v. National Tax Funding, L.P.*³⁴ In the context of the collection of property taxes imposed by the local taxing authority, the court ruled that there was no “debt” and, therefore, there could be no “credit” under TILA. The court looked to the definition of debt in the Fair Debt Collection Practices Act (FDCPA),³⁵ another federal consumer protection statute, rather than state law. The Third Circuit summarized the FDCPA definition in this way: “‘debt’ is created whenever a consumer is obligated to pay money as a result of a transaction whose subject is primarily for personal, family or household purposes.”³⁶ The court determined that a “transaction” suggests an exchange where a monetary obligation arises “as a result of the rendition of a service or purchase of property or other item of value.”³⁷ Regarding property taxes, there is no exchange because the obligation to pay arises from the involuntary levying of taxes.³⁸ In contrast, the court also ruled that charges imposed for the provision of water and sewer services constituted “debts” at the time they initially were owed to the governmental entity because the obligations arose out of requests for water and sewer services that were incurred primarily for personal, family, or household purposes.³⁹ Payment plans for water and sewer obligations, therefore, met the TILA definition of “credit.”⁴⁰

Employing either the state or federal law definition of “debt,” the result is the same. The PACE assessment contract creates a debt because the homeowner voluntarily agrees to repay a sum of money in exchange for the promise of the local governmental agency to pay a contractor to install energy efficient home improvements. Moreover, the homeowner agrees to pay this debt

³¹ We believe many states define “debt” in a similar manner.

³² *People v. Arguello*, 37 Cal. 524, 525 (Cal. 1869).

³³ *See also Debt*, Black’s Law Dictionary (9th ed. 2009).

³⁴ *Pollice v. Nat’l Tax Funding, Ltd. P’ship*, 225 F.3d 379 (3d Cir. 2000).

³⁵ 15 U.S.C. § 1692a(5) (“any obligation or alleged obligation of a consumer to pay money arising out of a transaction in which the money, property, insurance, or services which are the subject of the transaction are primarily for personal family, or household purposes”).

³⁶ *Pollice v. Nat’l Tax Funding*, 225 F.3d 379, 401 (3d Cir. 2009).

³⁷ *Id.* *See also Transaction*, Black’s Law Dictionary (9th ed. 2009) (“The act or an instance of conducting business or other dealings; esp., the formation, performance, or discharge of a contract.”).

³⁸ *Pollice v. Nat’l Tax Funding*, 225 F.3d 379, 402 (3d Cir. 2009).

³⁹ *Id.* at 400.

⁴⁰ *Id.* at 409–411.

in installments with interest and the agency agrees to defer payment.⁴¹ Thus, a “credit” transaction is born under TILA. The tax lien and tax assessment exclusion does not apply because PACE transactions “involve the voluntary incurring of debt.”⁴²

In a different context, the Fifth Circuit found that a loan used to pay off delinquent property taxes was not subject to TILA because the loan did not extinguish the tax lien. Rather, the lender acquired rights to the involuntary tax lien until the consumer repaid the loan.⁴³ *Billings* did not address the question of whether a voluntary loan that is collected through the property tax system is credit in the first instance. The PACE program, however, is analogous to the voluntary provision of water and sewer services and resulting debt described in the *Pollice* case to which TILA does apply.⁴⁴

California’s legislative history on PACE also indicates PACE is credit.

Bill analyses and comments by various committees of the California legislature during the PACE enactment process in 2008 describe the contractual transactions as “loans.”⁴⁵ In 2016, the California legislature enacted the PACE Preservation and Consumer Protection Act (A.B. 2693) that amended the 2008 Act to require that a standard financing estimate and disclosure be provided to the homeowner before the contract is signed, along with a notice of the homeowner’s right to cancel the transaction within three days. “This bill responds to concerns that PACE financing extends credit secured by a home without providing truth in lending disclosures and without the underwriting safeguards applicable to other consumer loans.”⁴⁶ Bill analyses and comments by various committees of the California legislature during the amendment process again described the contractual transactions as “loans,” “credit secured by the home,” and “contractual assessment related debt.”⁴⁷

⁴¹ See also Prentiss Cox, *Keeping PACE?: The Case Against Property Assessed Clean Energy Financing Programs*, 83 U. Colo. L. Rev. 83, 106 (2011) (“PACE financing has all the characteristics of a mortgage loan other than the mechanism of billing and payment through property tax. Unlike a public works tax assessment, PACE financing is voluntarily assumed by the homeowner and provides cash to the homeowner for improvements that ultimately will be owned by the homeowner.”).

⁴² 46 Fed. Reg. 20,848, 20,851 (Apr. 7, 1981).

⁴³ *Billings v. Propel Fin. Servs., L.L.C.*, 821 F.3d 608, 613 (5th Cir. 2016).

⁴⁴ *Pollice v. Nat’l Tax Funding*, 225 F.3d 379 (3d Cir. 2000).

⁴⁵ E.g., Cal. Assembly Comm. on Local Governments, 2007–2008 Reg. Sess., Rpt. on A.B. 811, at 4 (Jan. 15, 2008), available at <http://leginfo.legislature.ca.gov>; Cal. Assembly, 2007–2008 Reg. Sess., A.B. 811 Assembly Floor Analysis 3 (Jan. 28, 2008), available at <http://leginfo.legislature.ca.gov>; Cal. Senate Local Gov’t Comm., 2007–2008 Reg. Sess., Rpt. on A.B. 811, at 3 (May 29, 2008), available at <http://leginfo.legislature.ca.gov>; Cal. Assembly, 2007–2008 Reg. Sess., A.B. 811 Assembly Floor Analysis 3 (June 27, 2008), available at <http://leginfo.legislature.ca.gov>.

⁴⁶ Cal. Senate, 2015–2016 Reg. Sess., A.B. 2693 Senate Floor Analysis 1–4 (Aug. 22, 2016), available at <http://leginfo.legislature.ca.gov>.

⁴⁷ Cal. Assembly Comm. on Banking & Fin., 2015–2016 Reg. Sess., Rpt. on A.B. 2693, at 5–6, 9 (Apr. 22, 2016), available at <http://leginfo.legislature.ca.gov>; Cal. Assembly Comm. on Local

In 2017, the California legislature tightened its regulation of PACE financing by subjecting:

PACE lenders to similar licensing and regulatory oversight [applicable to those subject to the Finance Lenders Law], including minimum criteria for securing a license, the periodic examination of licensees, and the ability to investigate, issue orders and suspend a license. The legislation also features new underwriting guidelines predicated on an ability-to-pay standard that borrows heavily from other forms of consumer finance.⁴⁸

The ATR and verification standards enacted in this bill are similar to those enacted by Congress in the Dodd-Frank Act applicable to residential mortgage loans.⁴⁹ The state Senate and House analyses relied on a *Wall Street Journal* article⁵⁰ to support the need for these new rules given the rise in PACE loan defaults noted in the article.⁵¹ In the context of describing how program administrators hired by local governments are paid, these legislative reports note that the cost “is not borne by the local agency, but is built into PACE *loan* financing.”⁵²

Government, 2015–2016 Reg. Sess., Rpt. on A.B. 2693, at 4–7, 9 (May 3, 2016), *available at* <http://leginfo.legislature.ca.gov>; Cal. Assembly, 2015–2016 Reg. Sess., A.B. 2693 Assembly Floor Analysis 1, 3–4, 7 (May 11, 2016), *available at* <http://leginfo.legislature.ca.gov>; Cal. Senate Comm. on Governance & Fin., 2015–2016 Reg. Sess., Rpt. on A.B. 2693, at 1–2, 5 (June 10, 2016), *available at* <http://leginfo.legislature.ca.gov>; Cal. Senate Jud. Comm., 2015–2016 Reg. Sess., Rpt. on A.B. 2693, at 1, 3–4 (June 27, 2016), *available at* <http://leginfo.legislature.ca.gov>; Cal. Senate, 2015–2016 Reg. Sess., A.B. 2693 Senate Floor Analysis 1, 3–5 (Aug. 4, 2016), *available at* <http://leginfo.legislature.ca.gov>; Cal. Senate, 2015–2016 Reg. Sess., A.B. 2693 Senate Floor Analysis 1–5 (Aug. 22, 2016), *available at* <http://leginfo.legislature.ca.gov>; Cal. Assembly, 2015–2016 Reg. Sess., A.B. 2693 Assembly Floor Analysis 4 (Aug. 26, 2016), *available at* <http://leginfo.legislature.ca.gov>.

⁴⁸ Cal. Senate Comm. on Ins., Banking and Fin. Inst., 2017–2018 Reg. Sess., Rpt. on A.B. 1284, at 10 (Sept. 14, 2017), *available at* <http://leginfo.legislature.ca.gov> (quoting the supporters’ summary of the bill’s purposes).

⁴⁹ *Compare* 15 U.S.C. § 1639c(a), *and* Reg. Z § 1026.43(c), *with* Cal Fin. Code § 22687 (eff. Apr. 1, 2018).

⁵⁰ Kirsten Grind, *More Borrowers Are Defaulting on Their “Green” PACE Loans*, *Wall St. J.*, Aug. 15, 2017.

⁵¹ Cal. Assembly Comm. on Local Government, 2017–2018 Reg. Sess., Rpt. on A.B. 1284, at 8 (Sept. 16, 2017) (emphasis added), *available at* <http://leginfo.legislature.ca.gov>; Cal. Senate Comm. on Ins., Banking and Fin. Inst., 2017–2018 Reg. Sess., Rpt. on A.B. 1284, at 9 (Sept. 14, 2017) (emphasis added), *available at* <http://leginfo.legislature.ca.gov>.

⁵² Cal. Assembly Comm. on Local Government, 2017–2018 Reg. Sess., Rpt. on A.B. 1284, at 7 (Sept. 16, 2017) (emphasis added), *available at* <http://leginfo.legislature.ca.gov>; Cal. Senate Comm. on Ins., Banking and Fin. Inst., 2017–2018 Reg. Sess., Rpt. on A.B. 1284, at 7–8 (Sept. 14, 2017) (emphasis added), *available at* <http://leginfo.legislature.ca.gov>.

The structure of TILA supports treating PACE as credit.

TILA exemptions should be narrowly construed.⁵³ Courts examine the true nature of the transaction, not the form, to make these decisions.⁵⁴ This latter principle is particularly compelling because the voluntary assessment transaction documents walk, talk, create debt, and perform just like credit.⁵⁵ It is noteworthy that in 2000, the FRB added payday loans and deferred presentment loans as examples of transactions meeting the definition of “credit.”⁵⁶ This example appears immediately following the list of exclusions, including the tax lien and tax assessment exclusion. In the supplementary information accompanying its rulemaking, the agency stated:

TILA, as implemented by Regulation Z, reflects the intent of Congress to provide consumers with uniform cost disclosures to promote the informed use of credit and assist consumers in comparison shopping. This purpose is furthered by applying the regulations to transactions, such as payday loans, that fall within the statutory definition of credit, *regardless of how such transactions are treated or regulated under state law.*⁵⁷

This comment supports using an analysis that looks to substance not form when assessing whether a particular transaction constitutes credit under TILA, regardless of the characterization of that transaction under state law.

One federal district court recently ruled that PACE contracts in California constitute tax assessments, do not create debt under state law, and fall squarely within the tax lien and tax assessment exclusion from the definition of credit under TILA.⁵⁸ In deciding whether the PACE contracts constitute tax assessments, the court failed to address the distinction between a tax assessment and a voluntary contractual assessment. The former is a special assessment that, under California law, “is a charge imposed on particular real property for a local public improvement of direct benefit to that property.”⁵⁹ If the local authority authorizes the tax assessment, the involuntary tax is imposed on all properties in the assessment district in a proportional amount. In contrast, a voluntary contractual assessment is an alternative procedure for authorizing assessments “to finance the installation [of] energy efficient improvements that

⁵³ *Thomas v. Myers-Dickson Furniture Co.*, 479 F.2d 740, 745 (5th Cir. 1973).

⁵⁴ *Mourning v. Family Publications Serv.*, 411 U.S. 356 (1973).

⁵⁵ Justice Mosk of the California Supreme Court stated this general principle and that court has repeated it in a variety of contexts. *In re Deborah C.*, 635 P.2d 446, 455 (Cal. 1981) (Mosk, J., concurring) (“if an object looks like a duck, walks like a duck and quacks like a duck, it is likely to be a duck”). *See also Phillippe v. Shapell Indus.*, 743 P.2d 1279, 1282 (Cal. 1987) (same).

⁵⁶ Official Interpretations § 1026.2(a)(14)-2; 65 Fed. Reg. 17,129 (Mar. 31, 2000).

⁵⁷ 65 Fed. Reg. 17,129, 17,130 (Mar. 31, 2000) (emphasis added).

⁵⁸ *In re HERO Loan Litig.*, 2017 WL 3038250 (C.D. Cal. July 17, 2017).

⁵⁹ *Russ Bldg. P’ship v. City & Cty. of San Francisco*, 750 P.2d 324, 329 (Cal. 1988) (describing an “assessment district,” the procedure for creating such districts through local legislative resolutions, and the hearing rights of affected property owners to block the creation of the district and the resulting imposition of the tax); Cal. Const. art. XIID, §§ 2, 4.

are permanently fixed to residential . . . real property.”⁶⁰ The cost of energy efficiency improvements to a particular property is financed via a voluntary contractual mechanism. The enabling provisions of the statute in California use the phrase “voluntary contractual assessment” and never the phrase “tax assessment.”⁶¹

As for whether PACE contracts create a “debt,” the *In re HERO Loan Litigation* court relied on *City of Huntington Beach v. Superior Court*⁶² for the proposition that “[u]nder California law, a tax assessment lien on property does not constitute a personal debt owed by a consumer.”⁶³ The court concluded that PACE contracts do not create a debt because they are assessments against the property.

City of Huntington Beach, however, did not involve a voluntary contractual assessment. Indeed, the California legislature did not enact the statute authorizing the financing of energy efficiency improvements to residential real property until 2008, thirty years after *City of Huntington Beach* was decided. Rather, that case addressed the distinction between an involuntary transfer tax on real property⁶⁴ and an involuntary real property tax.⁶⁵ *City of Huntington Beach* involved a class action suit to recover real property transfer taxes paid by sellers and buyers of real property. A city ordinance declared that the transfer taxes were a debt to the city recoverable by an action against the person owing the tax (as compared to real property taxes that are only secured by the land). Based on the ordinance, the court held that the transfer taxes were excise taxes and not real property taxes (and not subject to a cap that had been exceeded if they were), and thus not recoverable by plaintiffs.⁶⁶ The court did not explicitly rule that real property taxes are not debts. Instead, it distinguished them from transfer taxes based on the local ordinance and the different methods of collection applicable to each.

Moreover, the *In re HERO Loan Litigation* court did not address the two 1969 FRB staff letters, the FRB’s comments on the issue of “voluntary versus involuntary” liens during the 1981 rulemaking that created the tax exclusions, or the CFPB’s validation of the 1969 letters in 2016.

Also glaringly absent from the court’s analysis was the characterization of PACE assessment contracts as “loans” by the various committees of the California legislature during the program’s

⁶⁰ Cal. Sts. & High. Code §§ 5898.10, 5898.12 (West).

⁶¹ See, e.g., Cal. Sts. & High. Code §§ 5898.20, 5898.22, 5898.28, 5898.31 (West).

⁶² 144 Cal. Rptr. 236, 240 (Cal. Ct. App. 1978).

⁶³ *In re HERO Loan Litig.*, 2017 WL 3038250, at *3 (C.D. Cal. July 17, 2017).

⁶⁴ By city ordinance, the transfer tax was declared a debt to the city and recoverable by an action against the person owing the tax. *City of Huntington Beach v. Super. Ct.*, 144 Cal. Rptr. 236, 238 (Cal. Ct. App. 1978).

⁶⁵ *Id.* at 240 (defining a real property tax as a tax “imposed on the ownership of property as such; they recur annually on a fixed date; and no personal liability arises from their nonpayment, the sole security for the taxes being the property itself.”). Whether a tax is collectible by an action against the persons liable or solely through an action against the property is not necessarily relevant as to whether the amount owed is a debt. See definition of debt under California law in *People v. Arguello*, 37 Cal. 524, 525 (Cal. 1869).

⁶⁶ *City of Huntington Beach v. Super. Ct.*, 144 Cal. Rptr. 236, 240 (Cal. Ct. App. 1978).

enactment in 2008, and the legislature's concerns which led it in 2016 to make the consumer protection amendments to the Act discussed above.

PACE loans are subject to TILA's protections for residential mortgage loans.

Truth in Lending's Ability-to-Repay provision applies to residential mortgage loans, which are generally defined as "any consumer credit transaction that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling or on residential real property that includes a dwelling, other than . . . under an open end credit plan."⁶⁷ It also excludes time shares. This same definition applies to the rules relating to financing credit insurance, prepayment penalties, arbitration clauses and restrictions on court actions, TILA/RESPA disclosures, and periodic statements.

PACE loans satisfy the definition of residential mortgage loan. As discussed above, a PACE loan constitutes consumer credit. In addition, the borrower voluntarily agrees to the lien placed on the home to secure repayment of the monies advanced for the home energy improvements. If the homeowner does not pay the PACE payment, the homeowner is subject to a tax sale or judicial foreclosure. Similar to a home mortgage, homeowners in the California HERO program expressly acknowledge in the assessment contract that if they fail to pay the PACE loan, it can be "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."⁶⁸ Thus the security interest resembles that of a traditional mortgage. The only difference is that the creditor has worked with the local governmental sponsor to run the mortgage loan through the tax system, although the amount due is for home improvements and is not tax-related. Thus, a PACE loan is covered under the language addressing "other equivalent consensual security interest." Finally, PACE transactions are not open-end credit plans because they involve contracts for a sum certain paid back over a fixed term at a pre-determined interest rate.

The fact that the debt transfers to the next homeowner does not erase the fact that the debt is owed by the homeowner, that the debt is secured by a security interest on the owner's home, that failure to pay could result in the loss of the home at foreclosure, and that it satisfies the definition of credit and of residential mortgage loan.

Administrative law doctrines under Chevron and Milhollin give the Bureau significant authority to issue PACE regulations under TILA.

Congress's directive to the Bureau to write PACE regulations under TILA's ATR requirement is silent on the question of TILA coverage of PACE, again because such coverage is assumed. It also does not address the question of the Bureau's role in writing other TILA regulations on PACE. When viewed in the context of broader administrative law jurisprudence, Congress's silence with regard to whether the rest of TILA applies to PACE loans is most aptly understood as permitting the Bureau to address the scope of TILA's coverage of PACE loans.

⁶⁷ 15 U.S.C. § 1602(dd)(5).

⁶⁸ See Exhibit 1 (LA HERO Program Assessment Contract, section 6).

First, in administrative law, Congressional silence does not mean that Congress is implicitly excluding a subject from administrative regulation. Second, to the extent that such omission could be construed to be ambiguity regarding whether the rest of TILA applies to PACE, it is an implicit delegation of authority to the Bureau to decide how the rest of TILA should apply to PACE.

Since this is fundamentally a question about Congressional delegation of authority to an administrative agency, *Chevron U.S.A. v. NRDC*⁶⁹ and its progeny govern. To determine if *Chevron* applies, one first must check if Congress has “directly spoken to the precise question at issue,” since both agencies and courts “must give effect to the unambiguously expressed intent of Congress.”⁷⁰ If Congress has not directly spoken to the precise issue and the statute is either “silent or ambiguous with respect to the specific issue, the question for the court is whether the agency’s answer is based on a permissible construction of the statute.”⁷¹ Finally, if Congress has “explicitly left a gap” in the statute for an administrative agency to fill, then Congress has expressly delegated “authority to the agency to elucidate a specific provision of the statute by regulation.”⁷²

A key component of *Chevron*, then, is that Congressional silence and ambiguity in administrative law evinces an intent to delegate interpretive authority to the agency in question. When Congress is silent or ambiguous given a certain issue in a statute administered by an agency, there is a presumption that Congress delegated interpretive authority to the agency.⁷³ This presumption provides “a stable background rule against which Congress can legislate: statutory ambiguities will be resolved, within the bounds of reasonable interpretation, not by the courts but by the administering agency.”⁷⁴ Thus, the *Chevron* regime leads to the following presumption: “Congress knows to speak in plain terms when it wishes to circumscribe, and in capacious terms when it wishes to enlarge, agency discretion.”⁷⁵

Even if one argues that Congress was not silent concerning whether TILA in its entirety covers PACE loans, Congress was at most ambiguous. A statute is ambiguous “if it can be read more than one way.”⁷⁶ While one may argue that Congress’s ATR mandate implicitly excludes the rest of TILA from applying to PACE loans, that interpretation is only one among several—it could just as well imply that TILA already applied to PACE and that Congress is merely asking the CFPB to specify *how* it applies in this context. Because multiple interpretations are possible, the

⁶⁹ 467 U.S. 837 (1984).

⁷⁰ *Id.* at 843.

⁷¹ *Id.*

⁷² *Id.* at 843–844.

⁷³ *Id.* at 845.

⁷⁴ *City of Arlington v. FCC*, 569 U.S. 290, 296 (2013).

⁷⁵ *Id.*

⁷⁶ *AFL-CIO v. FEC*, 333 F.3d 168 (D.C. Cir. 2003); *United States v. Nofziger*, 878 F.2d 442, 446–47 (D.C. Cir. 1989); *Abraxis Bioscience, LLC v. Kappos*, 10 F. Supp. 3d 53 (D.C. Dist. Ct. 2014).

statute is paradigmatically ambiguous. The meaning of that ambiguity in administrative law is that Congress has delegated the question to the CFPB to answer.

Deference to agency interpretation is even stronger with regard to TILA. The Supreme Court has recognized that “deference is especially appropriate in the process of interpreting the Truth in Lending Act,” because agencies have played a “pivotal role” in effectuating TILA.⁷⁷ The Court held that “[u]nless demonstrably irrational, Federal Reserve Board staff opinions construing the Act or Regulation should be dispositive.”⁷⁸

D. Additional Recommendations

Because PACE loans already are subject to TILA, the Bureau should issue regulations under additional TILA provisions.

As discussed at length in the previous sections, the Bureau has the authority to issue regulations explicitly addressing PACE loans under TILA provisions beyond its ATR requirements. Indeed, current developments in the market make clear that doing so is important to provide adequate consumer protections. Some TILA provisions will not even require any adjustment. Even where adjustment may be needed, those adjustments are often quite minor. Following is an overview of major requirements in TILA for which the Bureau should issue regulations.

Periodic Statements. TILA requires periodic statements for all closed-end residential mortgage loans secured by a dwelling.⁷⁹ The statements must be made in a conspicuous and prominent manner, in writing, or electronically if the consumer agrees, and in a form the consumer may keep.⁸⁰

The Bureau should explicitly mandate periodic statements for PACE loans, adjusting due dates for the relevant tax schedule. Similar to the application of the rule to mortgage servicers, the duty to provide statements should be imposed on program administrators. PACE program administrators already keep track of payment information for PACE accounts and make that information available to homeowners.⁸¹

Such statements could be provided when PACE payment installments are due under the assessment contract and the state tax schedule, which in many states will be only once or twice per year. Current content requirements for TILA periodic statements apply equally to PACE loans or will always be inapplicable (such as partial payments, generally not accepted by tax collectors): amount due, explanation of how amounts will be applied, past payment breakdown,

⁷⁷ *Ford Motor Credit Co. v. Milhollin*, 444 U.S. 555, 565–66 (1980); *see also Mourning v. Family Publications Service*, 411 U.S. 356 (1973); *Chase Bank USA, N.A. v. McCoy*, 562 U.S. 195, 207–208 (2011).

⁷⁸ *Milhollin*, 444 U.S. at 565.

⁷⁹ 15 U.S.C. § 1638(f); 12 C.F.R. § 1026.41(a), (e).

⁸⁰ 12 C.F.R. § 1026.41(c).

⁸¹ *See, e.g., Renovate America, Balance Information Center, available at* <https://payments.renovateamerica.com/>.

transaction activity, partial payments, contact information, account information and delinquency information.

Because payments are not made monthly, periodic statement information is even more important for homeowners seeking to keep track of their PACE loans. Moreover, due to electronic closings and common non-compliance with E-Sign (as described later in these comments), periodic statements present a crucial opportunity to provide concrete information about the PACE loan to the homeowner.

Restrictions on Forced Arbitration and Court Actions. TILA restricts forced arbitration clauses on residential mortgage loans as well as terms that bar a consumer from bringing a court action for damages or other relief in connection with a violation of federal law.⁸² This latter provision goes beyond the use of arbitration and prevents enforcement of various waivers of rights under federal statutes. The Bureau should explicitly apply these requirements to PACE loans. No adjustment of this requirement is needed.

Forced arbitration is emerging as a significant issue in PACE cases in California, as discussed in comments filed by California advocates. Congressional action directing the Bureau to write TILA ATR rules for PACE makes clear that Congress intends for PACE loans to be regulated by the Bureau as residential mortgage loans. Restrictions on forced arbitration and court actions represent an assurance that homeowners who have been harmed by violations of TILA can obtain redress in a judicial forum. The Bureau should ensure harmed homeowners do not face unnecessary hurdles in enforcing TILA's protections.

TILA/RESPA Disclosures. Following passage of Dodd-Frank, the Bureau finalized the combined TILA/RESPA disclosures.⁸³ The rules include early disclosures, a Loan Estimate, and a Closing Disclosure. TILA requires that the consumer receive the closing disclosures no later than three business days before consummation.⁸⁴

The Bureau should issue regulations establishing clear rules for how TILA's disclosure regime applies to PACE loans. As discussed elsewhere in these comments and in other comments submitted by consumer advocates, homeowners often go into PACE loans unaware of the costs, placement of liens and risks. While Congress flagged the urgency of providing substantive protections to PACE borrowers, disclosure is a crucial component of establishing a fair and efficient PACE lending market. One crucial piece of TILA's regime that should not be altered for PACE loans is the three-day waiting period before the Closing Disclosure and consummation. PACE loans result in real property liens and place the homeowner at risk of foreclosure. Entering into such an arrangement requires the time and information necessary to make such an important decision.

As noted above, while some homeowners may choose to fund home improvements through credit cards or other unsecured loans, using secured loans to fund PACE necessarily requires the

⁸² 15 U.S.C. § 1639c(E); 12 C.F.R. § 1026.36(h).

⁸³ 12 C.F.R. §§ 1026.19(e), (f), 1026.37, and 1026.38.

⁸⁴ 12 C.F.R. § 1026.19(f).

care and transparency offered to homeowners for other mortgage loans. We look forward to working with the Bureau to develop any other modifications to the content of the TILA disclosures to adequately convey the mechanics of PACE mortgage loans.

Higher-Priced Mortgage Loans. TILA contains substantive protections for higher-priced mortgage loans (HPMLs), including appraisal requirements for a written appraisal with an interior inspection⁸⁵ and an escrow mandate.⁸⁶ As discussed above, homeowners without escrows will need to budget a significant amount to make PACE payments on top of the existing property tax. For borrower receiving HPML, as with other mortgage loans, it is appropriate for the homeowner to have the escrow established to ensure that monthly payments assist with the necessary saving of funds to pay the tax bill when it comes due. The Bureau should require the program administrator to contact the servicer to notify them of the new PACE loan, to ensure the loan is promptly incorporated into the escrow (and an escrow is established where needed). This will help prevent escrow shortages. The Bureau also should ensure written appraisals with interior inspections are done on HPML PACE loans, to ensure that homeowners are not overleveraged.

High-Cost Mortgages. TILA contains special consumer protections for homeowners who receive high-cost mortgages.⁸⁷ A loan is considered high-cost if it meets one of three thresholds based on annual percentage rate, points and fees or prepayment penalties.⁸⁸ Loans that meet the high-cost thresholds must satisfy certain standards regarding extra disclosures, contract terms and prohibited acts and practices. It is important to note that high-cost mortgages are just that—high cost. As a result, Congress and the Bureau have established protections for consumers receiving such loans.

TILA's high-cost protections should be explicitly applied to PACE. While certain functions of the tax system may conflict with certain HOEPA requirements, loans can be priced under the HOEPA triggers to avoid such a conflict.

Loan originator compensation. The loan originator compensation rules under TILA restrict compensation based on the terms of the mortgage and prohibit dual compensation.⁸⁹ These rules were developed to address rampant upselling abuses in the mortgage market and to align originator incentives with consumer protection goals. The Bureau's loan originator compensation rule clarifies that agents and contractors of creditors and mortgage brokers, as well as employees, may be loan originators. Offering to arrange a loan and taking a loan application can make one a loan originators.⁹⁰ Thus it appears that home improvement contractors who are processing PACE loan applications are covered by the rule. The Bureau should issue regulations explicitly stating that PACE loans are subject to the loan originator compensation rules. This is

⁸⁵ 12 C.F.R. § 1026.35 (c).

⁸⁶ 15 U.S.C. § 1639d.

⁸⁷ 15 U.S.C. § 1639.

⁸⁸ Prepayments penalties on PACE loans can be measured based on how much additional interest beyond the date of payment the borrower must pay. See response to Question 20.

⁸⁹ 12 C.F.R. § 1026.36(d).

⁹⁰ 12 C.F.R. § 1026.36(a)(1).

especially important because, as these and other consumer advocate comments make clear, home improvement contractors are the main contact for homeowner obtaining PACE loans and their incentives for upselling homeowners to fund their own projects are significant. No adjustment is needed to apply the rule to PACE loans.

Remedies. Each of TILA's protections brings with it a set of remedies. These are discussed further in answers to Question 32. Just as TILA's provisions apply to PACE, TILA's remedies apply to PACE. When the Bureau issues regulations on TILA's non-ATR provisions as they apply to PACE, it should ensure that remedies are also discussed. For example, while rescission is not available for TILA's ATR requirement, it is available for TILA/RESPA violations.

One final word should be said about remedies. TILA's remedies, as with all legal remedies, play more than one role. While they are intended to ensure that harmed individuals are compensated where a violation is occurred, they also serve to incentivize compliance with the rules. TILA's remedies are measured and tailored to specific provisions, and have already shown themselves to be useful in securing widespread compliance with its essential rules. Application of TILA's remedies to PACE loans would serve those same important purposes: protecting consumers and ensuring compliance.

E. Response to ANPR Questions

I. Written materials associated with PACE financing transactions.

To better understand PACE financing transactions and potential areas of consumer risk, the Bureau is interested in receiving samples of any written materials used in PACE financing transactions. Please consider submitting samples of, for example, any contractual agreements, written materials provided to consumers before they sign a PACE financing agreement, and bills or statements that provide payment information to consumers. Please redact any personally identifiable information before submission.

Copies of PACE contractual agreements, disclosures, written materials, assessment contracts and other documents provided to consumers are referred to throughout these comments and are attached as exhibits.

II. Current standards and practices in the PACE financing origination process.

1. Please provide information about the process of obtaining a consumer's application for PACE financing, including what documentation is required from consumers or third parties, what information is verified, and how any information is collected. What information gathered as part of the application process relates to the consumer's ability to repay? Which parties collect the application information? How are policies and procedures relevant to the application process established?

A. Overview.

The PACE application process varies from state to state depending on each state's statutory requirements. Application materials and procedures also vary somewhat depending on the policies and practices of the specific governmental PACE sponsor and program administrator involved in a given transaction. In all states with active residential PACE programs, however, the application process generally shares these attributes:

- The application process is managed by program administrators, not by PACE-sponsoring governmental entities.
- Contractors assist program administrators by collecting application information from homeowners.⁹¹
- The application process takes place very quickly, sometimes the same day that a contractor first visits a homeowner's property.
- Applications are submitted and "signed" electronically, on tablets or sometimes even smart phones.
- Properties are screened for:
 - Location within a jurisdiction where residential PACE is authorized;
 - Property value;
 - Active notices of default; and
 - Existing liens.
- Homeowners are screened for:
 - Recent property tax payment history;
 - Recent or current mortgage payment history; and
 - Recent bankruptcy history.
- Projects are screened for:
 - Eligibility for PACE financing; and
 - Cost (to determine loan-to-value ratios as required).

In California, current law⁹² requires program administrators to collect the following additional information as part of the application process:

- Information to be used in determining a homeowner's ability to repay the PACE assessment:
 - Homeowner monthly income;⁹³

⁹¹ In some instances, more technologically sophisticated homeowners may initiate an application online through a program administrator's website, but a contractor will generally be involved in collecting further information as needed. It is more frequently the case, however, that applications are facilitated by the contractor either online or via call-in to the program administrator.

⁹² Cal. Fin. Code §§ 22686 and 22687.

⁹³ As of January 1, 2019, program administrators in California may also include the income of a *non-owner* spouse or domestic partner as long as they also consider the debt obligations of that person; however, non-owner spouses and domestic partners are not screened for past payment history or bankruptcies. Cal. Fin. Code § 22687(a)(3).

- Homeowner assets (not including equity in the property);
 - Homeowner monthly housing expenses;
 - Homeowner monthly debt obligations; and
 - Household size (for purposes of estimating basic living expenses); and
- Whether the homeowner has any other, as-yet unrecorded PACE assessments.⁹⁴

In other states with active residential PACE programs and most states that have authorized such programs, PACE legislation does not require collection or consideration of key information relevant to a homeowner’s ability to pay a PACE assessment, such as income, debt obligations, living expense-related information, or the existence of other, as-yet unrecorded PACE assessments.⁹⁵ Instead, the application and approval processes are driven almost entirely by the amount of equity a homeowner has in the property.

In most jurisdictions and for most homeowners, even though PACE-financed improvements are marketed as a way to improve energy efficiency and/or save on utility bills, the PACE application process does not include any inquiry into or verification of the need for a given home improvement and does not require any energy audit of the property or examination of current utility bills.

Policies and procedures relevant to the PACE application process are developed primarily by the program administrators in consultation with their respective governmental PACE sponsors and pursuant to any applicable state laws or regulations.⁹⁶

B. Verification Protocols.

Verification methods vary from state to state and from program to program. Among states with active residential PACE programs, California is the only one to address the verification of some application information in state law, as discussed in more detail below. In other states, verification protocols and standards are generally left to governmental PACE sponsors that generally grant broad discretion to the program administrators.

In many instances, program administrators are free to rely solely on information collected from a homeowner and/or a contractor during the application process. Although applicants’ credit reports are often pulled to verify monthly debt obligations, mortgage payment status and bankruptcy history, many other monthly obligations, such as unescrowed property taxes, hazard insurance and homeowner association fees, do not show up on credit reports. Even California’s more detailed statutory scheme still permits program administrators to “verify” certain criteria, such as recent property tax payment history and the existence of involuntary liens or other, unrecorded PACE assessments, by simply asking the homeowner.⁹⁷ Eligibility of a particular project for PACE financing can be “verified” based only on the say-so of the contractor and

⁹⁴ Cal. Fin. Code § 22684(k).

⁹⁵ *See, e.g.*, Fla. Stat. § 163.08.

⁹⁶ *See, e.g.*, Exh. 26 (California First Residential Property Owner Handbook (Version 15.9, October 2018), at pp. 16-17).

⁹⁷ Cal. Fin. Code § 22684(a)-(e) and (k).

confirmation by the homeowner (who is not in a position to know what types of improvements do and do not qualify for PACE).

i. Property values.

Because most PACE programs allow for PACE assessments that result in very high total loan-to-value ratios,⁹⁸ accurate valuation of a property is essential to ensuring that the lender's security is properly protected and that a homeowner is both avoiding undue risk and not borrowing more than the designated percentage of the property's value. Even modest errors in valuation could result in a homeowner owing more on loans and assessments than the home is worth. In many other transactions involving financing secured by the borrower's home, full appraisals are the default. However, because appraisals and Broker Price Opinions (BPOs) risk slowing down the "point-of-sale" PACE transaction, PACE program administrators favor using automated valuation models (AVMs) instead. The states that have active residential PACE programs, including California, permit the use of AVMs to obtain and verify property value, including for PACE assessments resulting in extremely high total LTVs.

AVMs are generally used in combination with other analytics, data reviews, property inspections or appraisals and are most often relied to support bulk decisions such as portfolio valuations or for appraisal reviews. Their accuracy is weaker when used for valuation of any individual property. For example, in one study of 666 U.S. counties, on average the percentage of automated valuations across all counties falling within +/- 10 % of the sales price was only 70%, with variation between 20% and 92%, depending on the county. Thus, 30% of valuations on average were more than 10% different from sales price (which is itself different from appraised value). On average, almost half of all valuations across all of the counties were within +/- 5% of the sales price. About half were in excess of +/- 5%. However, in one county only 9% of the valuations were within the 5% bracket. The highest recorded individual county accuracy figure was 76%.⁹⁹ On an individual level, such widespread potential for error undermines the lending process and a homeowner's security.

ii. Income.

Even though California (unlike other states) requires determination of the homeowner's ability to repay based on income and other factors, it still allows for verification protocols that could lead to a determination of repayment ability that is unreasonable and/or in bad faith, particularly given the PACE industry's emphasis on speed and automation. In fact, until January 1, 2019, when a new law that the PACE industry strongly opposed went into effect, program administrators were not even required to complete the ability to repay assessment until *after* the homeowner had already signed both the assessment contract and the home improvement

⁹⁸ California permits total LTV of up to 97%, Cal. Fin. Code §22684(i). At least one PACE program in Florida permits total LTV of up to 100%, *see* Exh. 16 (Florida PACE Funding Agency, Consumer Protection Policies (version 1.0, May 26, 2017), at p. 3).

⁹⁹ George Andrew Matysiak, *The Accuracy of Automated Valuation Models (AVMs)*, Report for The European Group of Valuers' Associations (TEGoVA) (May 2017), available at http://www.tegova.org/data/bin/a591190c05b2c3_George_Matysiak_Valuation_Report.pdf.

contract.¹⁰⁰

In California, program administrators must “determine and consider the current or reasonably expected income or assets of the property owner that the program administrator relies on in order to determine a property owner’s ability to pay the PACE assessment annual payment obligations using reasonably reliable third-party records of the property owner’s income or assets.”¹⁰¹ The statute lists examples of specific records that a program administrator may rely on to verify income, including a single paystub showing the most recent 30-day pay period – which will not necessarily reflect variations in pay from month to month or provide assurance of continued employment. The statute does not clearly prohibit the use of such records in isolation and does not make them subject to any further due diligence. In specified cases of “emergency or immediate necessity,” a program administrator is permitted to “verify” income based solely on information reported by the homeowner.¹⁰²

In order to increase the efficiency of their “point-of-sale” transactions, PACE program administrators prefer highly automated forms of information retrieval, including automated verification of income. California law allows the use of such systems for income verification, “provided the source of that verification is specific to the income of the property owner and not based on predictive or estimation methodologies, and has been determined sufficient for such verification purposes by a federal mortgage lending authority or regulator.”¹⁰³ This statutory language recognizes the limitations of existing automated income verification systems, which may be reliable only in verifying salary and wage income (and only to the extent third-party payroll service records are available), or for obtaining IRS tax transcripts. Such automated systems are not currently reasonably reliable for verification of other types of income such as self-employment income, military or reserve duty income, bonus pay, tips, commissions, interest payments, dividends, retirement benefits or entitlements, rental income, royalty payments, trust income, public assistance payments, and alimony, child support, and separate maintenance payments.

California's income verification protocols also include “open-ended questions ... to confirm the income provided on the application and to identify the sources of their income” that must be asked by the program administrator during the required “oral confirmation of key terms call.”¹⁰⁴ It is not clear what is achieved by this requirement given that the required call is supposed to take place once the financing terms have already been determined and the assessment contract prepared.¹⁰⁵

¹⁰⁰ See AB 2063 (2018).

¹⁰¹ Cal. Fin. Code § 22687(b)(1).

¹⁰² Cal. Fin. Code § 22687(e). The emergency exception is permitted for improvements costing as much as \$15,000.

¹⁰³ Cal. Fin. Code § 22687(b)(1).

¹⁰⁴ Cal. Fin. Code § 22687(a)(6).

¹⁰⁵ Cal. Str. & H. Code § 5898.13(a)(1)(A) (must confirm that at least one homeowner has a copy of the contract assessment documents) and Cal. Str. & H. Code § 5898.13(a)(2)(B) (must advise the homeowner to review the assessment contract and financing estimate and disclosure form).

iii. Basic living expenses.

In general, PACE programs do not consider basic living expenses as part of the application process. Even in California, where program administrators are required to consider such expenses as part of the ability to repay determination, they are only obligated to “make reasonable estimation of basic living expenses based on the number of persons in the household.”¹⁰⁶ Accordingly, there is no verification of a household's actual expenses required or undertaken.

2. Please describe current underwriting standards and how they are established. Does underwriting commonly include a determination of consumers’ ability to repay the financing? If so, which parties conduct that analysis, and what factors are considered in that determination?

PACE underwriting standards vary from state to state and from program to program. The vast majority of programs do not include any ability to repay assessment as part of the required underwriting criteria. Among states with active residential PACE programs, only California has laws requiring consideration of a homeowner’s ability to repay. In other states, unless a specific PACE program opts to consider ability to repay, the underwriting standards generally include some or all of the following factors:

- Current on property taxes (usually with a three-year lookback);
- Not in foreclosure;
- Current on any mortgage obligations (varying lookback periods);
- Not in bankruptcy (varying lookback periods);
- No involuntary liens in excess of \$1,000;
- Specified PACE assessment-to-value ratio (usually between 15 and 20%);
- Specified total loan-to-value ratio, including PACE assessment and any mortgages (range from 100%-90%); and
- PACE assessment may not result in total property taxes + assessments of more than 5% of the property’s value.¹⁰⁷

In California, as of April 2018, a program administrator must “make a reasonable good faith determination that the property owner has a reasonable ability to pay the annual payment obligations for the PACE assessment based on the property owner’s income, assets, and current debt obligations.”¹⁰⁸ In making this determination, the program administrator must “determine that the property owner’s income is sufficient to meet:” the PACE payment; all mortgage payments; all existing debts and obligations (including housing expenses); and basic household

¹⁰⁶ Cal. Fin. Code § 22687(d)(4).

¹⁰⁷ Cal. Str. & H. Code § 5898.15.

¹⁰⁸ Cal. Fin. Code § 22687(a).

living expenses.¹⁰⁹ In other words, affordability is premised on a residual income test.

As discussed above in these comments, residual income on its own is unlikely to provide an adequate assessment of affordability, and residual income tests used alone are not generally considered a reliable measure of affordability.¹¹⁰ Reliability declines even further when, as is currently permitted in California, a residual income test is premised on estimates and tables rather than actual expenses, particularly since program administrators use such shortcuts without any outside review or approval and without allowing for public access to the tables they use. Relying solely on tables such as the VA's Table of Residual Incomes by Region leaves out expenses that are unusual or specific to a given household, such as childcare and healthcare costs.

Moreover, the minimum residual income figures in the VA's Table underestimate household expenses in California. For example, the Table indicates that a family of four in the West region (which includes California) should have residual monthly income of \$967.¹¹¹ This amount is intended to cover the household's expenses for food, health care, clothing, transportation, telecommunications and miscellaneous expenses.¹¹² The UC Berkeley Labor Center Living Wage and Self-Sufficiency chart suggests that the VA figures significantly underestimate the expenses of a California family.¹¹³ For example, UC Berkeley estimates the following monthly expenses in the residual income expense categories for a household with two working parents and two children in San Diego: \$773 for food, \$491 for health care, \$510 for transportation, and \$787 for miscellaneous expenses, for a total of \$2,561. Thus, the VA Table underestimates the San Diego households needed residual income by \$1,594 per month.

3. Please provide information about the process for approving or denying PACE financing applications. For example, which parties determine consumer eligibility or make

¹⁰⁹ Cal. Fin. Code § 22687(d). Basic living expenses "include, but are not limited to" food, transportation to work or school, and utilities. Cal. Fin. Code § 22687(d)(4).

¹¹⁰ For example, the U.S. Department of Veteran's (VA) underwriting standards for its mortgage program require lenders to consider both the debt-to-income ratio and residual income standards, 38 C.F.R. § 36.4340(c), and the VA Handbook states, "VA's minimum residual incomes (balance available for family support) are a guide. They should not automatically trigger approval or rejection of a loan. Instead, consider residual income in conjunction with all other credit factors." VA Pamphlet 26-7, Revised Chapter 4: Credit Underwriting, p. 4-59, April 10, 2009.

¹¹¹ 38 C.F.R. § 36.4340(d) (for loan amounts of \$79,999 and below). The numbers in the VA Table are based on data supplied in the Consumer Expenditures Survey (CES) published by the Department of Labor's Bureau of Labor Statistics.

¹¹² Under the VA residual income standard, utilities and home maintenance, and child care and support payments, are deducted from income before comparison to the minimum residual income figures.

¹¹³ UC Berkeley Labor Center, Making Ends Meet: How Much Does It Cost to Support a Family in California?, interactive chart available at: <http://calbudgetcenter.org/resources/making-ends-meet-much-cost-support-family-california/>.

any offer to the consumer? Which parties are involved in determining the financing terms, and how do they do so for each consumer?

While state law may permit the governmental PACE sponsor to participate in program administration, it is typically delegated to private parties.¹¹⁴ The experience in California, Florida, and Missouri has been that program administration and loan origination is handled by third-party, non-governmental program administrators.¹¹⁵ The PACE program administrators typically run the day-to-day operation of the program by, among other things, marketing it, managing the application and financing process, determining the eligibility of homeowners, recording documents, disbursing funds to the contractors, maintaining a contractor network, coordinating with the tax authority to establish assessments and have them added to tax bills, and, in the event of securitization, acquiring the PACE bonds and issuing the ABS notes (through separate entities), and acting as a coordinator for the trustee that receives the assessment payments from the tax collector and disburses them to noteholders.¹¹⁶ In fact, virtually nothing in the PACE loan origination pipeline is handled by government employees.

The private program administrators therefore conduct all aspects of the underwriting process, including the decision to offer credit. They determine whether consumers are eligible for PACE financing and they make financing offers directly to consumers. As discussed elsewhere in these comments, home improvement contractors often assist program administrators in performing these functions.

The obligations of the program administrator related to PACE loan origination are typically set out in the contract between the governmental PACE sponsor and the program administrator. For example, the following provision is contained in the contract between Western Riverside Council of Governments (WRCOG) and PACEfunding LLC:

As part of Program Administration Services, PACEfunding shall provide origination services which include: (1) process all commercial and residential applications, including accepting applications (online and hard copy), entering hard copy applications into online system, pulling all credit, title, valuation and other reports, reviewing eligibility of proposed property, applicants, equipment and contractors, tracking all financing disclosures, application and authorization forms, contacting applicants, contractors and other parties as needed, providing notifications of approval, denial or incomplete status; (2) obtaining or assisting

¹¹⁴ DBRS, Rating U.S. Property Assessed Clean Energy (PACE) Securitizations, July 24, 2015, p. 8, (“While a PACE District may be the “Master” originator and/or servicer and the issuer of PACE Bonds secured by PACE assessments, typically, most marketing, application, origination, documentation, enrollment, funding, reporting and servicing functions are undertaken by third parties contracted by the PACE District and participating Tax Authorities.”).

¹¹⁵ The largest residential PACE program administrators are: Renovate America, Ygrene Energy Fund, Inc., Renew Financial, and PACEfunding LLC.

¹¹⁶ Elizabeth Bellis, et al., Energy Programs Consortium, Residential Property Assessed Clean Energy (R-PACE) – A Primer for State and Local Energy Officials, p. 38-39 (March 2017), available at www.energyprograms.org.

property owners to obtain consent of the first mortgage holder, if any; (3) process all funding requests for Residential Parcels and Commercial Parcels participating in the PACEfunding Program, including accepting funding request forms, reviewing submitted forms and attachments, providing notification of funding request approval, denial or incomplete status; (4) process and finalize all contractual assessment documentation, including issuance of contractual assessment and financing disclosures; (4) provide telephone and email customer service support; (5) track and report to WRCOG key PACEfunding Program statistics, including applications received, approved, assessment contracts issued and signed; (6) periodically assess and/or adjust policies and procedures of the PACEfunding Program as needed to resolve any recurring issues.¹¹⁷

PACE financing terms generally apply uniformly within the local program and are established through consultation and negotiation between the governmental PACE sponsor and the program administrator. Administrative fees, closing costs, and loan interest rates are often set out in the program guidelines. For example, the Green Corridor PACE District Program Guidelines states that Florida consumers will be charged a \$50 application fee, \$125 processing and underwriting fee, \$125 district recovery fee, \$125 recording & disbursement fee, \$90 bond trustee fee, \$65 title & escrow fee, and an origination fee of 3 percent.¹¹⁸ The guidelines also authorize the program administrator (Ygrene) to originate PACE financings at various interest rates based on the PACE loan term (5, 10, 15, 20, 25 or 30 year) and the maturity of related bonds.

In some PACE programs, consumers are given the option to buy down interest rates. For example, Ygrene sought approval from the Green Corridor PACE District to offer such an option. Florida consumers may receive a 1% rate reduction by paying points not to exceed 5 percent, or a 2 percent rate reduction by paying points not to exceed 10 percent.¹¹⁹ Additional buy down options under this “SelectRate Option” depending upon the loan term are set out in the Green Corridor Trust Indenture documents with Zions Bank.¹²⁰ A full description of Ygrene’s SelectRate Program is provided in Exhibit 15.

4. Please provide information about any written information provided to consumers before they sign a PACE financing agreement, including relevant contracts or written disclosures. Who delivers these materials, in what format, and when during the origination process?

A. Financing Estimate and Disclosure.

In states with active residential PACE programs, only California state law requires that homeowners be presented with a financing estimate and disclosure form prior to signing a PACE

¹¹⁷ See Exh. 4 (in Exhibit B “Scope of Program Administration Services” under “origination” responsibilities).

¹¹⁸ See Exh. 5 (Green Corridor Program Guidelines (Feb. 20, 2019, Appendix II)).

¹¹⁹ *Id.*

¹²⁰ See Exhibit 6 (Section 2).

financing agreement.¹²¹ While programs in other states may employ some type of disclosures and/or financing estimates,¹²² there is no statutory requirement that they do so at all or that if they do, they include any particular information or deliver the materials in a specific form or format, or before execution of the financing agreement.

California requires delivery of written disclosures in statutory form (or substantially similar form and format) at an unspecified time "before the property owner consummates" a PACE financing agreement.¹²³ As discussed below, in practice, these disclosures are generally shown to consumers on a mobile tablet along with all other closing documents at the time the assessment contract is signed electronically upon completion of a confirmation call, and the executed documents may be sent by email to the consumer after the loan is consummated. Exhibit 1 is a sample of one program administrator's disclosure form obtained from the program administrator's website.¹²⁴

California's statutory form includes information similar to the information in the federally-mandated initial Loan Estimate form along with contact information and certain disclosures about PACE financing, including notice of the 3-day right to cancel. However, California does not require delivery of a form equivalent to the federally-mandated Closing Disclosure and does not prohibit or require disclosure of changes to terms or fees reflected in the "Financing Estimate and Disclosure" document provided to the homeowner.

B. PACE Financing Agreement.

Exhibits 2, 11, and 27 are examples of PACE financing agreements (often called "assessment contracts") between property owners and governmental PACE sponsors. There is no requirement in California law or elsewhere that the financing agreement be delivered to property owners for review prior to execution or in printed form.

C. Notice of Right to Cancel.

As of January 1, 2017, California has required delivery a notice of right to cancel that informs borrowers that they have a right to cancel the PACE transaction by midnight on the third business day after the later of: (1) the date on which the homeowner signed the assessment contract; (2) the date the homeowner received the Financing Estimate and Disclosure; or (3) the date the homeowner received the Notice of Right to Cancel.¹²⁵

¹²¹ Cal. St. & Hwy § 5898.17.

¹²² See, for example, Exhibit 16 (Florida PACE Funding Agency Consumer Protection Policies) at pp. 4-6. .

¹²³ Cal. St. & Hwy § 5898.17(a).

¹²⁴ The disclosure statute requires that a "sample of the disclosure...shall be maintained on a public Internet Web site available to property owners." Cal.Str. & H.Code § 5898.17(a). We found it difficult to locate this document on program administrators' websites, however, and accessing the sample document often requires inputting one's home address.

¹²⁵ Cal. Str. & H. Code § 5898.16(b)(1).

Confusingly, the statutory form of the notice of right to cancel also states that if the cancellation is delivered by mail, fax or email, the deadline runs from "the date on which you signed the contractual assessment."¹²⁶ To add to the confusion, the statutory Financing Estimate and Disclosure form describes the deadline using different terminology, as "any time on or before midnight on the third business day after the date of the transaction to enter into the agreement."¹²⁷ These inconsistent instructions make figuring out the deadline for cancelling a given transaction unnecessarily complicated, particularly for unsophisticated homeowners or those with cognitive impairments. As a result, even assuming this notice is properly delivered, many homeowners will miss their opportunity to cancel.

D. Manner and Format.

Both the Financing Estimate and Disclosures and the notice of right to cancel are supposed to be provided as a print copy unless the consumer agrees to an electronic copy.¹²⁸ Common practice in PACE transactions, however, is to have the contractor present any and all written information to homeowners electronically on the contractor's tablet or, in some cases, on the contractor's smart phone.¹²⁹ As described in the comments submitted by other consumer advocates and practitioners, this practice is regularly used in PACE transactions in California with respect to all of the documents discussed above, including the notice of right to cancel. In fact, program administrators commonly require applicants to agree as part of the application process to receive all PACE-related documents electronically. This is also the practice in Florida and Missouri.

For example, the HERO Financing Application provided in Exhibit 1 states that by applying, an applicant "consent[s] to conduct transactions that occur prior to and after executing [sic] application electronically, use electronic signatures and Records, and receive electronic mail (email) and electronic communication with respect to these transactions and Records regarding [the] account, instead of receiving them in paper or by regular mail."¹³⁰ Although applicants are permitted to opt out of electronic delivery, they cannot do so easily or automatically, but must instead log in with an email address (which many homeowners do not have or know how to use) or make a telephone call to the program administrator. There appears to be no way for an applicant who does not have or know how to use email or who just prefers to receive printed materials to decline to consent to this arrangement in the first instance.

Having homeowners review and sign critical materials electronically on a small screen belonging to (and often held by) the contractor poses many serious risks to the integrity of PACE transactions. Among the many problems with this method of document delivery, which are illustrated in detail by the client stories included in the comments of other consumer advocates

¹²⁶ *Id.*

¹²⁷ Cal. Str. & H. Code § 5898.17(a).

¹²⁸ *Id.* (disclosures) and Cal. Str. & H. Code § 5898.16(b)(1) (Notice of Right to Cancel).

¹²⁹ Although California requires that the disclosures "must be provided as printed copy unless borrower agrees to electronic copy," Cal. Str. & H. Code § 5898.17(a), in practice, the vast majority of homeowners do not receive a printed or even printable copy of the disclosures prior to signing a PACE financing agreement, if ever.

¹³⁰ Exh. 1 at p. 3.

and practitioners, are: the inability of many homeowners to actually see the words on a small screen; insufficient time to actually read the information when it is presented on-screen by a contractor in a hurry to close the deal; lack of familiarity with the technology; lack of awareness of the fact that clicking or entering a code can be legally binding; inability to retain and review the dense and often technical information contained in the written materials; and susceptibility to fraud and forgery.

There are also serious questions about whether these practices fully comply with the federal E-Sign Act. The E-Sign Act requires that information pertaining to consent, including information about the option to receive hard copies be “clear and conspicuous.”¹³¹ In Exhibit 1, the information about consent is not “conspicuous” in relation to the rest of the application form, and is rendered even more inconspicuous when a contractor simply swipes by pages of documents on a tablet or smart phone. It is also questionable whether clicking on a screen held by or belonging to another person “reasonably demonstrates” a person's ability to “access information in the electronic form that will be used to provide the information that is the subject of the consent,” as required.¹³²

5. Please describe any information provided to consumers orally before they sign a PACE financing agreement. Who provides the information and at what point during the origination process?

A. Contractor Communications.

Homeowners receive information about PACE orally from the contractors who come to their homes to bid jobs and offer financing options, including PACE. Contractors may discuss PACE financing with a homeowner at any time before or after the financing agreement is signed.

Claims by PACE contractors regarding PACE financing have been and continue to be a major problem with serious adverse consequences for homeowners. Contractors are unsupervised during home visits, and their oral representations regarding PACE are not recorded. As a result, they frequently misrepresent the character, cost and consequences of financing a project through PACE. Among other false and misleading claims, contractors have told homeowners that PACE is a free government program that would not increase the property tax bill (Appendix, #20), that a project financed by PACE would be “practically free” under an “Obama program” (*id.*, #31), that payments would be no more than \$100 a month after tax rebates and savings (assessment payments actually worked to \$220 a month, which resulted in a \$500 increase in the homeowner's monthly escrow payment) (*id.*, #32); and that a PACE loan would be forgiven after a certain period of time. (*id.*, #34).

B. Program Administrator Communications.

In California and when PACE programs elsewhere require it, homeowners also receive oral

¹³¹ 15 U.S.C. § 7001(c)(1)(B).

¹³² 15 U.S.C. § 7001(c)(1)(C)(ii).

information during a live confirmation of terms call with the program administrator. In California, the required call to confirm the terms of the financing is supposed to occur after a homeowner is approved but before s/he signs the assessment contract.¹³³ However, in many cases, program administrators complete confirmation calls and have homeowners sign the financing documents when the homeowner has been “conditionally” approved pending additional verification. If the additional verifying documents and information are obtained by the program administrator, it will then issue a final approval and notice to proceed. This practice is inconsistent with the statutory requirement and further adds to consumer confusion about when the three-day cancellation period begins and ends.

Homeowners may also receive information orally from program administrators if they choose to call in to ask questions or if the program administrator calls them during the underwriting process to confirm or clarify information.

As set forth in the statute,¹³⁴ the confirmation of terms call must cover, at a minimum, the following:

- Confirmation that the borrower has copies of "the contract assessment documents,"¹³⁵ the completed Financing Estimate and notice of right to cancel;
- Review of the annual cost, total estimated average amount the borrower will need to save monthly to cover the annual costs,¹³⁶ timing of property tax bills, and term of the assessment;
- Disclosures that payments will be made either to the county tax collector or through an escrow payment with the mortgage, that potential utility savings are not guaranteed, that the property will be subject to a lien that may need to be paid off before the property is sold or refinanced, that the property owner responsible for contacting their insurer about whether the improvement is covered, and that the program administrator and contractor do not provide tax advice;
- Details of the potential consequences of delinquent property tax payments; and
- Recommendation that the homeowner contact the mortgage lender about adjusting any monthly escrow payment and to seek professional tax advice about tax impacts of the PACE assessment.

The confirmation of terms call must be recorded and retained for at least five years.¹³⁷

6. TILA’s existing ATR requirements apply to “creditors,” defined in part as the parties to whom debt obligations are “initially payable on the face” of the agreements. In

¹³³ Cal. Str. & H. Code § 5913.

¹³⁴ Cal. Str. & H. Code § 5913(a)(1)(B)(2).

¹³⁵ Cal. Str. & H. Code § 5913(a)(1)(A). California does not separately require delivery of the assessment contract to the homeowner at any specific time.

¹³⁶ This important budgeting information is not included in the written Financing Estimate and Disclosure.

¹³⁷ Cal. Str. & H. Code § 5913(b).

PACE financing transactions, to which parties may the obligations be made “initially payable on the face” of the financing agreements? Please describe any requirements in State or local law governing to which parties PACE financing obligations may be made initially payable on the face of the financing agreements.

The PACE assessment contract, which creates the obligation of the consumer to repay the PACE loan, is initially payable on its face to the local government entity or political subdivision that is the sponsor of the PACE program. For example, the assessment contract for the LA HERO program provides: “This Assessment Contract (this “Contract”) is made and entered into [date], by and between the County of Los Angeles, a political subdivision of the State of California (the “County”), and the record owner(s), [property owners].”¹³⁸ The assessment contracts used in the WRCOG HERO program provide that the contract is between the “Western Riverside Council of Governments, a joint exercise of powers authority (the Authority)” and the property owner.¹³⁹ A separate Notice of Assessment, with exhibits such as the “Payment of Contractual Assessment Required” document reflecting the notice of the levy and collection by WRCOG of the contractual assessment, and the obligation of the current property owner to pay the assessment, is recorded on the property.¹⁴⁰

The PACE enabling statute in Florida specifies that the assessment contract must be entered into between the governmental PACE sponsor and the property owner. The Florida statute provides:

(8) A local government may enter into a financing agreement only with the record owner of the affected property. Any financing agreement entered into pursuant to this section or a summary memorandum of such agreement shall be recorded in the public records of the county within which the property is located by the sponsoring unit of local government within 5 days after execution of the agreement. The recorded agreement shall provide constructive notice that the assessment to be levied on the property constitutes a lien of equal dignity to county taxes and assessments from the date of recordation.¹⁴¹

7. To the extent not addressed above, please describe the role of State or local governments in the origination and underwriting of PACE financing.

As discussed above, other than assisting in the overall program design, State or local governments delegate the origination and underwriting of PACE financing to program administrators and other private contractors.

PACE sponsoring local government entities nevertheless receive significant revenue from PACE programs. They receive a percentage (generally from 1 to 1.5 percent) of the amount financed by PACE borrowers for their participation in the program, and recording fees. For example,

¹³⁸ See Exh. 1.

¹³⁹ See Exh 2.

¹⁴⁰ See Exh. 3.

¹⁴¹ Fla. Stat. § 163.08(8).

since the launch of the California HERO Program in 2014, the WRCOG PACE program has generated approximately \$34,000,000 in gross revenues through Fiscal Year 2017/2018.¹⁴² After deducting operating expenses, the local governments who participate in WRCOG have received approximately \$12,527,000 in revenue.

8. Please describe any relationship between the PACE financing agreement and the home improvement agreement. For example, do they involve separate contracts? Do consumers sign them concurrently? If a consumer is denied for the PACE financing, what is the effect on the consumer's obligations under the home improvement contract?

Most consumers begin their involvement with PACE when a home improvement contractor knocks on their door or calls them to make a sales pitch for the program. This marketing is done in coordination with PACE program administrators, as most PACE loans are originated through contractor referrals. One PACE program administrator, Renovate America, originates 80-90 percent of its PACE loans through contractor referrals, and maintains a network of more than 6,600 approved contractors.¹⁴³

Program administrators give approved home contractors access to proprietary “contractor only” websites that provide them with “financing data, tracking capabilities and marketing information.”¹⁴⁴ Many PACE administrators also offer co-marketing opportunities to contractors, permitting contractors to use the program’s logos, advertising copy and other branding.¹⁴⁵

Some home contractors have made use of this arrangement to further deceptive practices. For example, one Florida contractor solicits consumers by using an official-looking approval “NOTICE” with government seals, and the caption “STATE OF FLORIDA GOVERNMENT APPROVED,” with the contractor listed as “coordinator for the Pasco County approved program” for PACE. A copy of the advertisement is attached as Exhibit 17.

If the marketing results in the homeowner showing any interest in the PACE program, the contractor will work to get the homeowner to sign a home improvement contract. This contract is separate from the PACE assessment contract.

Unlike the PACE financing documents, which are prepared on forms, online programs, and mobile applications made available by the program administrators, contractors use their own form contracts. As a result PACE home improvement contracts vary greatly. We are not aware of any PACE program administrator that provides contractors with sample home improvement

¹⁴² See WRCOG April 1, 2019 meeting minutes, available at:

http://www.wrcog.cog.ca.us/AgendaCenter/ViewFile/Agenda/_04012019-299.

¹⁴³ See Kroll Bond Rating Agency, ABS Pre-Sale Report, HERO Funding 2018-1 Class A Notes, May 10, 2018.

¹⁴⁴ *Id.*

¹⁴⁵ Energy Programs Consortium, Residential Property Assessed Clean Energy (R-PACE) – A Primer for State and Local Energy Officials, March 2017, p. 38, available at:

<http://www.energyprograms.org/wp-content/uploads/2017/03/R-PACE-Primer-March-2017.pdf>.

contracts or requires contractors to use a uniform improvement contract. A sample contract for the installation of a solar system in Florida is provided as Exhibit 13.

Generally the contracts provide a minimal description of the work to be done, such as this example from a PACE loan in California:

COOL LIFE PAINT 2800 sqft \$23,150.00
17 WINDOWS Ply GEM \$23,000.00

The goal of home contractors (and program administrators) is to close the deal as quickly as possible. This process is aided by the rapid exchange of information between the contractor and administrator, through the use of administrators’ online contractor portals and mobile applications. One program administrator describes this benefit to contractors on its website:

Technology & tools to close deals more quickly

The days of endless paperwork delays to obtain financing are over. We have developed sophisticated, easy-to-use tools that allow you to work more efficiently to close deals. You can determine customer eligibility using our instant financing eligibility check, submit financing documents with your customer at the kitchen table, track jobs through a sophisticated pipeline management tool, and send automated communications to your customers. This is technology that will grow your business!¹⁴⁶

Another program administrator describes a similar screening tool in its Frequently Asked Questions pamphlet for contractors:

8. How do I know if my customers will qualify for HERO Financing?

You can check their eligibility with our Know-Before-You-Go database tool. Simply type in their address and you’ll have a strong indication of their likelihood to be approved (i.e., up to a 90% accuracy).¹⁴⁷

This program administrator also recently released a mobile application, OneApp, that contractors can use to simultaneously submit a loan application on behalf of a homeowner for both a PACE loan and its own loan product, providing “results in minutes.” Screenshots of the mobile application and this description can be found on its website:

It’s finally here. HERO and Benji in one application. With one credit check.

¹⁴⁶ See <https://renewfinancial.com/contractors>.

¹⁴⁷ See Exh. 12.

This is big. OneApp is now available on the online contractor portal, Renovate America mobile app, and over the phone. With just one application and one credit check, you'll get HERO and Benji results in minutes.¹⁴⁸

Ideally consumers and home contractors would reach agreement on the scope of work and cost before PACE financing is sought. However, contractors obtain information from program administrators about the maximum PACE loan and other terms available to a consumer before the home improvement contract is finalized, and frequently use that information to upsell and push homeowners into purchasing unnecessary and unwanted home improvements. While homeowners typically sign the home improvement contract before the PACE assessment contract, the initial home improvement contract may be amended or a new contract signed in response to the credit approval decision.

Home improvement contracts typically create a binding agreement between the homeowner and home contractor once they are signed as they are not conditioned upon credit approval for any related financing. PACE home improvement contracts are no different. This portion of a contract for a PACE loan in California makes clear the contract is binding upon acceptance by the contractor:

Special Instructions: Lifetime warranty on All wood and stucco apply
Contract on All wood and stucco warranty is transferable
to next homeowner. Repair all stucco and wood
following all trash removal to job project
install 4" x 4" around house were needed
Work Excluded From This Contract: Reduce Both security doors and front wood door

Terms and Conditions:

- A. Approval and Acceptance: Owner/Buyer understands that this document is an offer to contract for the services of Contractor and is not binding upon Contractor until accepted by the corporate office of Contractors. Once accepted by contractor in writing or by commencement of work, this document shall become a valid and binding contract.
- B. Cancellation Fee: A Cancellation Fee of fifty percent (50%) of total contract price will be charged for cancellation after expiration of the three day period as set forth in the notice of Cancellation.
- C. Product Specifics: All Contractors' lifetime warranties are in addition to the manufacturer warranty but are subject to the assumption of responsibility of the manufacturer under its warranty.
- D. If commencement date of project is delayed due to customer, the progress payment is payable and due 30 days after contract date.

Payment Total Contract price to be: \$ 27650 Credit Card: Visa, Master Card, American Express, Discover

If the PACE financing is not approved, the home contractor can seek to enforce the home improvement contract. Some contractors will begin work immediately, even before a decision is made on the PACE financing. If the financing is not approved, the contractor will then place a mechanic's lien on the property to coerce payment under the improvement contract. Widespread abuses with this practice led the California legislature to prohibit contractors from beginning work on PACE-related home improvement contracts before a credit decision is made on the PACE financing and during the three-day rescission period.¹⁴⁹ No similar law for PACE loans exists in Missouri or Florida.

Some PACE contractors have taken advantage of a loophole in the PACE loan process by splitting the work into separate home contracts and then arranging for multiple PACE loans to be

¹⁴⁸ Available at:

https://www.renovateamerica.com/oneapp?_id=F00BA4BDC2B045E38E2E49713C8E93ED&_Z=Z

¹⁴⁹ Cal. Str. & H. Code § 5940.

made to the same consumer. Because of the lag time before PACE liens are recorded and registered with the local tax collector, contractors have evaded maximum loan-to-value restrictions and other underwriting requirements by placing loans with different PACE administrators, knowing that PACE administrators may not discover that other PACE loans are being made at approximately the same time. Several homeowners have been saddled with more than one unaffordable PACE loan, often not even knowing that they were entering into separate loans.

9. To the extent not already addressed, please provide any information that may help the Bureau understand the origination process or any risks or benefits it produces for consumers.

See responses above.

III. Civil liability under TILA for violations of ATR requirements in connection with PACE financing, as well as rescission and borrower delinquency and default.

10. Please provide any information about the assignment or sale, including securitization, of PACE financing agreements or the rights and obligations therein, and the circumstances surrounding any assignment or sale.

PACE programs are structured as voluntary tax assessments to create a mechanism for initially funding the home improvements with municipal bonds. The authority for a governmental PACE sponsor to establish a PACE program is set out in the PACE enabling statute. This statute may include specific authority to issue bonds for PACE or the statute may refer to other relevant state laws governing the issuance of municipal bonds related to special assessments.

As compared to other local government improvement financing, however, PACE financing is completely voluntary. Unlike other programs in which the benefits of improvements such as road or sewer projects are shared by all property owners within a geographic area, and the tax assessments to fund the program are involuntarily imposed on all property owners in that area, individual consumers must sign up for PACE loans and consent to having assessments levied and recorded as liens against their homes. Although not always understood by PACE borrowers, they also are agreeing that the failure to pay the assessment could result in the loss of their home at foreclosure or tax sale. From the consumer's perspective, PACE financing is much closer in form and substance to a mortgage loan than a special tax assessment.

PACE bonds are typically limited obligation improvement bonds issued by the governmental PACE sponsor or joint powers authority. The bonds are not general obligations of the state, local government or tax authority. The bonds are secured by the assessments on homeowner properties. In California, scheduled payments are made on the PACE Bonds on March 2 and

September 2 of each year using payments received from the PACE assessments, and in Missouri payments are made on the PACE Bonds on April 2.¹⁵⁰

After the bonds are issued, they are then purchased by program administrators as part of the securitization process.¹⁵¹ Program administrators facilitate the securitization of the bonds as asset backed securities (ABS), and the ABS notes are sold to investors in the secondary market.¹⁵² The PACE notes are attractive to investors because consumer repayment is virtually assured when collected through the tax system and the assessments are given super-priority lien status.¹⁵³ As of June 2018, there had been 22 securitized ABS issuances totaling approximately \$4.6 billion, backed by approximately 200,000 PACE assessments.¹⁵⁴

A PACE securitization typically includes a portfolio of bonds issued by various governmental PACE sponsors that have contracts with the program administrator who is coordinating the securitization. For example, HERO Funding 2018-1 included bonds issued by the Western Riverside Council of Governments, the County of Los Angeles, California, California Statewide Communities Development Authority and the Missouri Clean Energy District.

The securitizations contemplate that additional bonds will be added to the portfolio after closing as new assessments are originated. For example, the initial PACE bond portfolio for HERO Funding 2018-1 included 168 bonds with an aggregate principal balance of approximately \$154.9 million. These bonds were secured by 6,547 PACE assessments originated by Renovate America and levied against 6,332 residential properties in 55 counties (43 in California and 12 in Missouri).¹⁵⁵ At the time of the HERO Funding 2018-1 pre-sale report, it was expected that approximately \$38.7 million of additional PACE bonds (the Subsequent PACE Bond Portfolio) were to be included after closing.¹⁵⁶

¹⁵⁰ Kroll Bond Rating Agency, ABS Pre-Sale Report, HERO Funding 2018-1 Class A Notes, May 10, 2018.

¹⁵¹ An example of a Master Bond Purchase Agreement between WRCOG and program administrator PACEfunding is attached here as Exhibit 10.

¹⁵² Kroll Bond Rating Agency (KBRA), U.S. Property Assessed Clean Energy (PACE) ABS Rating Methodology, June 1, 2018, available at: https://www.krollbondratings.com/show_report/9034

¹⁵³ Standard & Poor Presale Report, GoodGreen 2019-1, Jan. 16, 2019 (“The transaction's strengths, in our opinion, include the following: ... PACE assessments are paid pari passu with ad valorem property taxes and other assessments and are secured by a lien on real property that is senior to mortgages including pre-existing debt.”), available at: <https://www.spratings.com/documents/20184/0/GoodGreen+2019-1.pdf/be5c6474-205a-387d-7b07-b99567202fbe>.

¹⁵⁴ Kroll Bond Rating Agency (KBRA), The Pace Evolution, June 22, 2018, available at: https://www.krollbondratings.com/show_report/11071.

¹⁵⁵ Exhibit 22 (Kroll Bond Rating Agency, ABS Pre-Sale Report, HERO Funding 2018-1 Class A Notes, May 10, 2018).

¹⁵⁶ *Id.*

The asset-backed notes issued in this example, the HERO Funding Class A Notes Series 2018-1, were collateralized by a pool of the above-described PACE bonds. The transaction structure for this securitization is described in the HERO Funding 2018-1 pre-sale report as follows:

Certain PACE assessments payable under assessment contracts have been pledged by WRCOG, LA County, CSCDA or MCED, as the case may be, to a PACE Bond Trustee in consideration of the issuance of PACE Bonds. Certain of these PACE Bonds have been purchased by affiliates of the Transferor, and on the closing date these affiliates will sell all of their PACE Bonds to the Transferor, which will then contribute them to the Issuer. The Issuer will then pledge the PACE Bonds to the Class A ABS Note Trustee.

A chart showing the securitization structure for HERO Funding 2018-1 is included in the pre-sale report and is attached here as Exhibit 14.

On the issue of transfer of PACE assessments, we believe there is a temporary assignment of the PACE assessments before the issuance of the bonds from the governmental PACE sponsors to program administrators. This is done as an interim financing mechanism for the assessment contracts before the bonds are issued. A Master Assignment and Assumption Agreement between WRCOG and program administrator PACEfunding sets out this arrangement and is attached here as Exhibit 18.

While PACE bonds are secured by the PACE assessments, we do not believe that individual PACE assessments are assigned during the securitization process after the bonds have been issued, as governmental PACE sponsors retain ownership rights in the assessment contracts. It is the PACE bonds and the stream of payments from the assessments that serve as collateral for the ABS notes. Thus, homeowners continue to make payments to the governmental PACE sponsors through the local tax collector even after the assessments are securitized.

The issue of transferability ultimately depends upon what is permitted under state law. For example, California law may not permit the transfer of voluntary contractual assessments if bonds have been issued to finance the assessments.¹⁵⁷ Thus, the PACE bonds are the collateral supporting a PACE securitization in states or jurisdictions where statutory restrictions prevent the transfer of the underlying property assessments. This point is referenced by DBRS in its rating methodology for PACE securitizations:

Assignability of PACE-related interests. Ideally, the enabling legislation should allow for negotiated sales and assignability of PACE assessments and related remedial rights and would not be dependent on assessments being delinquent prior to assignments. In such cases, the legislation may also allow for full enforceability by the holder of the assigned PACE lien without any further rights being retained by the relevant municipalities. However, some jurisdictions where this is not permitted may allow the bonds to be hypothecated, so a PACE Bond can be issued on a per property basis or on a pooled basis with multiple

¹⁵⁷ Cal. Str. & H. Code § 5898.28(b)(1).

assessments securing individual PACE Bonds. The perfection of interests in the assessments sold or pledged to secure PACE Bonds should be expressly governed by the Uniform Commercial Code.¹⁵⁸

11. Please describe any indemnification agreements that are commonly part of PACE financing transactions, whether involving local governments, private parties administering PACE financing programs, secondary market participants, home improvement companies, or others.

A. Indemnification Agreements with Program Administrators.

Governmental PACE sponsors are insulated from liability related to the PACE program through broad indemnification agreements entered into with program administrators. These agreements generally protect sponsoring entities from any liability, loss, or litigation expenses stemming from the actions of the program administrators and their agents, consultants, contractors and subcontractors. This includes indemnification for the misconduct and fraudulent actions by home improvement contractors that have been commonly associated with the PACE program.

For example, the following indemnification provision is contained in the contract between WRCOG and program administrator PACEfunding LLC:

PACEfunding shall defend, indemnify and hold WRCOG, its officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury, in law or equity, to property or persons, including wrongful death, in any manner arising out of or incident to any allegedly negligent or wrongful acts or omissions or willful misconduct of PACEfunding, its officials, officers, employees, agents, consultants, contractors and subcontractors, arising out of or in connection with the performance of the Program Administration Services, the PACEfunding Program or this Agreement, including without limitation, the negligent disclosure of Data Compilations under Section 4.4.3(a) of this Agreement. Such costs, expenses, liability, loss, damage or injury shall including without limitation the payment of all consequential damages and attorneys' fees and other related costs and expenses. PACEfunding shall defend, at PACEfunding's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against WRCOG, its directors, officials, officers, employees, agents or volunteers. PACEfunding shall pay and satisfy any judgment, award or decree that may be rendered against WRCOG or its directors, officials, officers, employees, agents or volunteers, in any such suit, action or other legal proceeding. PACEfunding shall reimburse WRCOG and its directors, officials, officers, employees, agents and/or volunteers, for any and all legal expenses and

¹⁵⁸ See Exh. 24 (DBRS, Rating U.S. Property Assessed Clean Energy (PACE) Securitizations, p.11, July 24, 2015).

costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. PACEfunding’s obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the WRCOG, its directors, officials, officers, employees, agents or volunteers.¹⁵⁹

B. Indemnification Agreements between Local Government Entities.

The relationship between the cooperating local government entities will often produce multiple indemnification agreements. Similar to the joint powers authority utilized by WRCOG in California, the Florida Interlocal Cooperation Act authorizes local governments to use of their powers in cooperation with other localities for mutual advantage, by entering into interlocal agreements.¹⁶⁰ Green Corridor Property Assessment Clean Energy (PACE) District was created as a separate legal entity under the Florida PACE enabling statute to finance qualifying PACE improvements.¹⁶¹ Green Corridor, as a local government entity itself under the PACE enabling statute, then enters into interlocal agreements with other local governments to operate PACE programs.

The interlocal agreements between the government entities typically contain indemnification agreements. For example, in 2017, the Palm Beach County Board of County Commissioners adopted an ordinance authoring participation in PACE and approving an interlocal agreement with Green Corridor. As part of the interlocal agreement, Green Corridor agreed to indemnify Palm Beach County from any liability related to the PACE program.¹⁶² In turn, section 26 of the interlocal agreement provides that “Green Corridor will promptly request and obtain from its administrator, Ygrene Energy Fund Florida LLC (“Ygrene”), and any subsequent administrator, a separate indemnification agreement as to its actions and activities” related to the program. Green Corridor did in fact obtain an indemnification agreement from Ygrene, which is attached to the interlocal agreement.¹⁶³

C. Repurchase Agreements.

Similar to the “buyback” obligation found in most mortgage-backed securitizations, PACE program administrators agree to make payments or take other action on non-conforming PACE assessments they originate. This obligation by program administrator Renovate America is discussed in the pre-sale report of the Kroll Bond Rating Agency (KBRA) for the HERO Funding 2017-2 securitization:

To the extent that an underlying PACE Assessment does not conform to certain agreed transaction guidelines and such non-conformity has a material and adverse effect on the noteholders, Renovate America, Inc., which acts as the Program Administrator for WRCOG, SANBAG and LA County in the origination of

¹⁵⁹ See Exh. 4 (Par. 4.7).

¹⁶⁰ Fla. Stat. § 163.01.

¹⁶¹ Fla. Stat. § 163.01(7).

¹⁶² See Exh. 7 (Interlocal Agreement, Section 12).

¹⁶³ See Exh. 7 (Interlocal Agreement, Exhibit 2).

PACE Assessments, has agreed to make an advance to the Issuer equal to the outstanding principal balance of the non-conforming PACE Assessment plus interest to the next payment date. On the payment date the sum advanced will be applied in accordance with the Priority of Payments described below.¹⁶⁴

A similar obligation is discussed in the KBRA ABS New Issue report for the GoodGreen 2018-1 securitization, in which Ygrene agrees, if there is a breach in any representation or warranty, to “either cure such breach, repurchase the PACE Asset from the ABS Note Trustee at a repurchase price equal to the unpaid principal balance of such PACE Asset together with interest accruing on such PACE Asset through the date on which such repurchase price is paid, or to transfer one or more substitute PACE Assets to the ABS Note Trustee.”¹⁶⁵

Asset-backed securitizers file quarterly reports (Form ABS-15G) with the Securities and Exchange Commission when such repurchases are made. For example, a filing for the last quarter of 2018 shows that Ygrene repurchased two PACE assets held by the GoodGreen 2017-1 Trust and four PACE assets held by GoodGreen 2018-1.¹⁶⁶

D. Consumer Indemnification and Waiver Clauses.

Consumers are also required to indemnify the sponsoring local government entities and other parties from liability related to the PACE loan. The following indemnification clause is included in the WRCOG assessment contract:

Section 12. Indemnification. The Property Owner agrees to indemnify, defend, protect, and hold harmless the Authority, the Participating Entity and any and all agents, employees, 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 PACE Funding 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.¹⁶⁷

¹⁶⁴ See Exh. 8 (p. 9).

¹⁶⁵ See Exh. 9 (p. 9).

¹⁶⁶ See Exh. 10.

¹⁶⁷ See Exh. 11 (WRCOG PACE Funding Program Assessment Contract, p. 6).

The same indemnification clause is included in the assessment contract for the HERO program.¹⁶⁸

Contrary to the intent of the FTC Holder rule, consumers also agree that those who would enforce the assessment contract, the governmental PACE sponsor and the program administrator, are not liable for the acts or omissions of the contractor in performing the home improvement contract:

No Endorsement, Warranty or Liability. LA County, Renovate America, 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. LA County, the participating municipality, Renovate America and the Program, and each of their respective, officers, employees, agents and assigns make no representations and have no responsibility regarding the equipment and its installation, including the eligibility, 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. You are responsible for verifying that all equipment installed is either on the Program's Eligible Product List or approved as a custom product by the Program. Further, LA County, Renovate America and the Program shall not be in any way liable for any incidental or consequential damages resulting from the equipment or its installation.¹⁶⁹

A similar acknowledgment is made by consumers in the WRCOG assessment contract: "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 or maintained as expected."¹⁷⁰

The assessment contracts that consumers sign also include broad waiver clauses that insulate the governmental PACE sponsor and program administrators from all liability related to the PACE loan, including acts and omissions by the home contractors. Here is the provision found in the WRCOG assessment contract:

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 of the installation of the Improvements, and that the Authority and the Participating Entity have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of the Improvements. Based upon the foregoing, the Property Owner hereby waives the right to recover from and fully and irrevocably releases the Authority, the Participating Entity and any and all

¹⁶⁸ See Exh. 1 (Assessment Contract, p.7).

¹⁶⁹ See Exh. 1 (HERO Financing Program Application, p. 2).

¹⁷⁰ See Exh. 11 (WRCOG PACE Funding Program Assessment Contract, p. 5).

agents, employees, 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, attorneys, representatives and successors and assigns of the Authority or the Participating Entity.¹⁷¹

Congress has banned such waiver clauses in consumer credit transactions that are secured by the consumer's principal dwelling. Section 1639c(e)(3) of TILA provides that no provision in such credit transactions "shall be applied or interpreted so as to bar a consumer from bringing an action . . . , pursuant to section 1640 of this title or any other provision of law, for damages or other relief in connection with any alleged violation of this section, any other provision of this subchapter, or any other Federal law."¹⁷² The Bureau should implement this provision with respect to PACE loans by prohibiting clauses in PACE loan documents that require a consumer to waive claims under TILA or any other Federal law.

E. Arbitration Clauses.

All of the PACE financing agreements we have reviewed include provisions that require arbitration as the method for resolving disputes or claims arising out of the PACE transaction. For example, the LA HERO PACE application requires applicants to acknowledge that they agree to be bound by a "JURY TRIAL WAIVER and procedures for MANDATORY BINDING ARBITRATION AND A CLASS ACTION WAIVER."¹⁷³ The provision on arbitration provides:

Arbitration Agreement. Before asserting a claim against Renovate America in any proceeding, you agree that you shall engage in a good faith attempt to resolve the claim. All claims and disputes between you and Renovate America that cannot be resolved informally or in small claims court shall be resolved by binding arbitration on an individual basis under the terms of this Arbitration Agreement. This Arbitration Agreement applies to you (including any of your successor(s) in interest) and Renovate America (including any of Renovate America's parents, subsidiaries, affiliates, agents, privities, employees, predecessors, successors, assigns, registered contractors and sub-contractors).¹⁷⁴

Mandatory arbitration clauses are prohibited in consumer credit transactions that are secured by the consumer's principal dwelling.¹⁷⁵ The Bureau should implement this provision with respect

¹⁷¹ See Exh. 11 (WRCOG PACE Funding Program Assessment Contract, p. 5).

¹⁷² 15 U.S.C. § 1639c(e)(3).

¹⁷³ See Exh. 1 (HERO Financing Program Application, Section C, p. 4).

¹⁷⁴ *Id.*

¹⁷⁵ 15 U.S.C. § 1639c(e)(1).

to PACE loans by prohibiting clauses in PACE loan documents that require arbitration or any other nonjudicial procedure for resolving disputes and consumer claims.

12. Please describe any rescission rights available to consumers with respect to PACE financing agreements or home improvement contracts, whether by virtue of the agreements or applicable State or local law.

California law provides PACE borrowers with a right of rescission that is similar to the right under TILA, except that it does not provide for an extended right of rescission. It gives PACE borrowers the right to cancel the assessment contract within three business days without penalty or obligation.¹⁷⁶ A written notice of the right to cancel containing the information set out in the statute must be given to PACE borrowers,¹⁷⁷ and the document must be provided as a print copy unless the consumer agrees to an electronic copy.¹⁷⁸ As with other aspects of PACE loan origination, this statutory requirement is implemented by program administrators.

The Florida and Missouri PACE enabling statutes do not address PACE borrowers' rescission rights. While both states lack a statutory requirement, we believe that program administrators have implemented rescission in Florida and Missouri based on the California model through assessment contracts and program guidelines. For example, the Florida PACE Funding Agency specifies in section 2.2 of its Consumer Protection Policies that a three day right to cancel must be included in the disclosures given to borrowers, and a sample notice is attached to the guidelines.¹⁷⁹

In addition to State or local law, consumers who enter into PACE financing agreements have the right to rescind those agreements under federal law. By amending the Truth in Lending Act to require that the Bureau issue regulations relating to PACE financing, section 307 of the Economic Growth, Regulatory Relief, and Consumer Protection Act clarified that PACE financing is credit for purposes of TILA. As such, PACE loans trigger TILA rescission rights because they are a “consumer credit transaction in which a security interest, including any such interest arising by operation of law, is or will be retained or acquired in any property which is used as the principal dwelling of the person to whom credit is extended....”¹⁸⁰

Transactions are subject to TILA rescission when either the security interest is granted by agreement or when the security interest arises by operation of law. This requirement is easily

¹⁷⁶ Cal. Str. & H. Code § 5898.16(b).

¹⁷⁷ The notice must be provided to the “property owner,” which includes all “owners of record.” Cal. Str. & H. Code § 5898.16(d). This is similar to the rescission right under TILA, which extends to all consumers whose ownership interest is or will be subject to the security interest, even those who are not obligors on the debt. *See* Reg. Z §§ 1026.15(a)(1)(i), (b), 1026.17(d), 1026.23(a)(1), (b).

¹⁷⁸ Cal. Str. & H. Code § 5898.16(b)(1).

¹⁷⁹ *See* Exh. 16 (Consumer Protection Policies, EXHIBIT A3 – Notice of Right to Cancel & Cancellation of Financing Agreement).

¹⁸⁰ 15 U.S.C. § 1635(a).

met with PACE, as the security interest arises both as a product of the voluntary assessment agreement with the consumer and by operation of law.

The Official Interpretation to Regulation Z provides: “In order for the right of rescission to apply, the security interest must be retained as part of the credit transaction.”¹⁸¹ This requirement is also met in PACE loans, because the consumer enters into a contract with the governmental PACE sponsor to whom the debt will be repaid, which is the same entity that obtains a security interest through the transaction and has the right to enforce the security interest.

Regulation Z provides an exemption for transactions in which a state agency is a creditor.¹⁸² Official Interpretation to Regulation Z clarifies that “cities and other political subdivisions of states acting as creditors are not exempted from this section.”¹⁸³ Governmental PACE sponsors are cities, counties, joint power authorities or other political subdivisions, rather than state agencies, so the exemption does not apply.

We believe that the TILA rescission provisions are self-executing with respect to PACE and do not require the issuance of regulations by the Bureau. Like other creditors who offer new loan products secured by a consumer’s principal dwelling, program administrators can revise their existing procedures and forms to comply with both state and federal law. The existence of state PACE rescission rights does not create obstacles to the implementation of TILA rescission rights. State home solicitation sales and door-to-door sales laws typically provide cancellation rights similar to TILA rescission. As with these state right to cancel laws, state PACE rescission rights can co-exist with the TILA rescission right to the extent they are not in conflict.

None of the existing TILA regulations dealing with rescission, including those concerning the extended right of rescission and tender requirements, are incompatible with PACE. Any potential issues concerning state tax or bond laws in relation to the voiding of assessment contracts and tax liens during the extended rescission period are already contemplated by the contracts between the program administrators and governmental PACE sponsors. As discussed earlier, the indemnification clauses in those agreements are broadly drafted and protect the governmental PACE sponsors from any violations of TILA by program administrators that would give rise to the extended right of rescission. To the extent not presently covered, these agreements may be revised to impose on program administrators the requirement to handle the rescission process during the extended rescission period, such as terminating the security interest and determining the consumer’s tender amount.

13. Please provide information about what happens to PACE financing obligations when a consumer becomes delinquent or defaults. For example, please provide information about any loss mitigation programs available to consumers,

¹⁸¹ Official Interpretation § 1026.23(a)(1)-1.i.

¹⁸² Reg. Z. § 1026.23(f)(3).

¹⁸³ Official Interpretation § 1026.23(f)-5.

**any pre-foreclosure collection attempts, or foreclosure processes when applicable.
Which parties are involved, and what are their roles?**

Consumers with PACE loans who are unable to make assessment payments face a variety of challenges depending upon whether the assessment is paid directly or through a mortgage escrow account. When assessment payments are made directly by the consumer to the tax collector, state tax collection laws control. This means that PACE borrowers who fall behind on assessment payments must pay additional interest and penalties beyond that charged under the assessment contract terms. When assessment payments are paid through a mortgage escrow account, the consumer's payment problems become subject to the loss mitigation procedures that apply to mortgage servicers. Each scenario is described below.

A. Prohibition on Partial Payments.

After a PACE assessment is entered on the local tax roll, the county or taxing authority includes it in the homeowner's tax bill along with other real estate taxes. The PACE assessment is not separately billed, so the consumer must pay the PACE installment together with all other taxes and special assessments that come due. A significant challenge to PACE borrowers whose assessment is not being paid through a mortgage escrow account is that state tax laws generally prohibit assessments to be paid in monthly installments.¹⁸⁴ Instead, assessments are paid quarterly, bi-annually or annually.

Partial payments typically are not accepted and will be returned to the taxpayer by the tax collector.¹⁸⁵ Once returned, the entire tax payment, including the PACE assessment, is considered delinquent. PACE borrowers who have not adequately budgeted for the annual assessment payment (which for example would be approximately \$3,200 on a \$35,000 PACE loan) will face default, penalties and a possible tax lien sale or judicial foreclosure.

B. Additional Interest and Penalties on Delinquent Payments.

Unlike residential mortgage products that generally do not have penalty interest rates, state property tax laws impose significant penalties on homeowners when tax assessments are not timely paid. For example, PACE assessments in California that are funded during the period

¹⁸⁴ The San Diego County Tax Collector provides this FAQ response on partial payments:

Can I pay for the PACE portion of the tax bill separately?:

No, state law requires certain information like special assessments to be included in the bill. Special assessments are collected at the same time as property taxes. Your tax bill is due in two installments, which must be paid in full. No partial payments are allowed.

Available at: <https://www.sdttc.com/content/ttc/en/tax-collection/PACE-program.html>

¹⁸⁵ There are some exceptions to this practice. For example, Los Angeles County in California, and Broward County and Miami-Dade County in Florida, accept partial payments on current tax payments. However, even these counties do not accept partial payments on delinquent tax payments. *See* Exhibit 9 (KBRA ABS New Issue Report, GoodGreen 2018-1, April 27, 2018, p. 10).

from July 1 to June 30 are placed on each county's tax roll on or before the following August 10, and the first installment is due on November 1. If the first installment is not paid by 5:00 pm on December 10, a 10 percent penalty is applied by the local tax authority. The second installment is due on February 1, and if it is not paid by April 10, it becomes delinquent and also accrues a 10.0 percent penalty. These penalties are imposed on the total delinquent payment, which would include the PACE installment payment and other taxes due.

In addition, on July 1 of each year, any amounts still unpaid are considered in default and the local taxing authority will impose an interest charge of 1.5 percent per month (18 percent per year) until the property assessment and other taxes are paid. For PACE borrowers, this must be paid in addition to interest at the note rate under the assessment contract.

Like the assessment, the additional interest and penalties are a lien against the property until they are paid.¹⁸⁶ For PACE borrowers experiencing a financial hardship, these penalties and additional interest make it more difficult for them to cure a payment default and put them at risk of foreclosure.

An even greater budgeting challenge faces consumers in states such as Florida and Missouri where PACE assessments are paid in a single annual installment. Assessments in Florida become delinquent if they are not paid by March 31st of each calendar year. In Missouri, PACE assessments are billed annually by the county tax collector and are due on or before December 31. Outstanding payments are deemed delinquent on or after January 1. Delinquent assessment payments incur a penalty of up to 2 percent per month but no more than 18 percent per year for each year's delinquency.¹⁸⁷ In addition, Missouri counties are authorized to charge a fee from 2 percent to 7 percent (based on the county classification) for collection of delinquent taxes.¹⁸⁸

C. Foreclosure and Tax Lien Sales.

Although a PACE loan does not accelerate upon default, this is no consolation to a PACE borrower in financial distress as foreclosure may be initiated upon nonpayment of a single PACE installment. The consequences to consumers of default of a PACE loan are no different than foreclosure of a nonrecourse mortgage. They may lose their home and all equity they have accumulated.

Unless a specific foreclosure process is set out in the PACE enabling statute, the default procedure will be that used for the enforcement of tax liens. State tax lien sale laws in most states require that the tax lien (or certificate) or the property itself be sold whenever tax payments, including a voluntary assessment, go unpaid for a brief, specified period.¹⁸⁹ Property

¹⁸⁶ Cal. Str. & H. Code § 5898.30.

¹⁸⁷ Mo. Ann. Stat. §§ 139.100 and 140.100.

¹⁸⁸ Mo. Ann. Stat. § 52.290.2.

¹⁸⁹ The various forms of state tax sale procedures are described in National Consumer Law Center, *Home Foreclosures*, Chapter 15 (2019), *updated at* www.nclc.org/library.

owners are usually given a period of time to redeem the property before there is a final transfer of ownership to the local government or a private, third-party purchaser.¹⁹⁰

In California, nonpayment of a PACE assessment can result in two different foreclosure procedures. The PACE program administrator and governmental PACE sponsor can elect to remove the PACE lien from the property tax rolls so as to enforce collection through a judicial foreclosure sale.¹⁹¹ The PACE assessment contract requires the consumer to acknowledge this process, as contained in this provision from the LA HERO program:

The Property Owner acknowledges that if any Assessment Installment is not paid when due, the County has the right to have such delinquent Assessment 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, if bonds are sold to finance the Improvements, the County may obligate itself, through a covenant with the owners of such bonds, to exercise its judicial foreclosure rights with respect to delinquent Assessment Installments under circumstances specified in such covenant.¹⁹²

If the judicial foreclosure procedure is not followed, collection of defaulted California assessments is left to the local tax collector, who must follow the customary procedure for the enforcement of tax liens.¹⁹³

In Florida, the PACE enabling statute requires PACE assessments to be collected along with other property taxes using the uniform method of tax collection under Florida law.¹⁹⁴ Upon default by the property owner, this procedure initially involves the sale of a tax certificate at auction by the county to the bidder offering the lowest interest rate for the redemption amount.¹⁹⁵ If the certificate is not redeemed by the property owner within the redemption period, the tax certificate purchaser may submit an application to the collector for a tax deed to the property.¹⁹⁶ However, the initial assessment contracts that Green Corridor entered into with Florida consumers provided that default in payment of the PACE assessment could be enforced through a judicial foreclosure proceeding.¹⁹⁷ The Florida Supreme Court invalidated this provision,

¹⁹⁰ For a summary of state tax sale laws, *see* National Consumer Law Center, *Home Foreclosures*, Appendix G (1st ed. 2018), *updated at* www.nclc.org/library.

¹⁹¹ *See* California Residential HERO Program Handbook (Oct. 2016 – Version 2.4), Appendix B at p. 26 (“After written notification, defaults in payment of assessments will result in the initiation of foreclosure proceedings on the December 1st following such default.”).

¹⁹² *See* Exh. 1 (LA HERO Program Assessment Contract, section 6).

¹⁹³ Cal. Rev. & Tax. Code §§ 3351 to 3972, 4101 to 4379, 4501 to 4505.

¹⁹⁴ Fla. Stat. § 163.08(4).

¹⁹⁵ Fla. Stat. § 197.432.

¹⁹⁶ Fla. Stat. § 197.502.

¹⁹⁷ This language was likely imported by the program administrators from the California assessment contracts.

finding it to be inconsistent with the PACE enabling statute.¹⁹⁸ Thus, the tax sale process is the only permissible method for enforcing a PACE lien in Florida.

In Missouri, PACE assessments are treated the same as taxes for purposes of tax lien enforcement.¹⁹⁹ Delinquent PACE assessments can be collected through a tax sale. This begins with a sale of a tax lien certificate at auction for the amount of the delinquent taxes or assessment.²⁰⁰ If the property owner fails to redeem during the one year redemption period, the tax certificate purchaser can obtain a collector's deed to the property transferring ownership to the tax sale purchaser.²⁰¹

D. Loss Mitigation by Program Administrators.

The governmental PACE sponsors and program administrators do not have formal loss mitigation programs. The program guidelines, administrative contracts, and consumer protection policies we have reviewed do not address loss mitigation programs or procedures. However, the securitization reports suggest that some limited form of loss mitigation may exist. For example, the HERO Funding 2018-1 pre-sale report states that the participating governmental PACE sponsors and Renovate America have “the option to advance funds to pay delinquent PACE Assessments” and that “[a]s a result of an advance, the PACE Bond Issuer would forbear from foreclosing on the related property.”²⁰² It is unclear how and under what circumstances a consumer may obtain this discretionary forbearance.

Program administrator Renew Financial includes some information about its forbearance program on its website, on the consumer FAQ page, as follows:

Are you having trouble making your CaliforniaFIRST or RenewPACE payment this year?

If you recently faced a temporary financial hardship such as a loss of income due to a medical illness, death, natural disaster, or interruption in employment that caused you to be delinquent on your property taxes or property tax escrow account, Renew may be able to help out. We offer temporary hardship assistance to ensure that a payment owed on your PACE assessment does not stop you from getting back on your feet. If you are behind on your property taxes or the property tax portion of your mortgage payment and you believe you can repay your property taxes and/or mortgage in the near future, you may qualify for support.²⁰³

¹⁹⁸ Thomas v. Clean Energy Coastal Corridor, 176 So. 3d 249 (Fla. 2015).

¹⁹⁹ Mo. Ann. Stat. §§ 140.150 and 140.160.

²⁰⁰ Mo. Ann. Stat. § 140.290.

²⁰¹ Mo. Ann. Stat. §§ 140.405, 140.420.

²⁰² Exhibit 22 (Kroll Bond Rating Agency, ABS Pre-Sale Report, HERO Funding 2018-1 Class A Notes, May 10, 2018, p. 9).

²⁰³ Available at: <https://renewfinancial.com/frequently-asked-questions-about-pace>.

E. Loss Mitigation by Mortgage Servicers.

For PACE borrowers who have a home mortgage with an escrow account, some payment problems relate to the payment shock caused by the delay in the adjustment of the escrow payment. For example, if a PACE borrower's assessment was funded in July 2018, the first payment would not come due until November 2019. The assessment would not begin to be included in the borrower's mortgage payment until an escrow account analysis is conducted. If the anniversary date for the borrower's annual escrow account analysis is in October 2019, and the servicer was not notified of the assessment before the October 2019 analysis was done (or does not later prepare a short year analysis), the PACE assessment would not be included as an anticipated escrow disbursement amount until the October 2020 escrow analysis. An escrow statement would then be provided to the borrower within 30 days of the completion of the escrow account computation year.²⁰⁴ The escrow statement would indicate the date the new escrow payment would be due, which would likely be 30 to 60 days after the statement is sent.

This means that any increase in the borrower's mortgage payment that includes the assessment from the July 2018 PACE loan would first appear on the December 2020, January 2021, or February 2021 mortgage statement. The October 2020 analysis would also include the second unpaid November 2020 PACE payment that would be due, as well as the amount necessary to fund anticipated PACE disbursements and a payment cushion. The lag time before the assessment is incorporated into the consumer's escrow account would certainly create a large escrow shortage or deficiency, resulting in a substantial increase in the borrower's monthly mortgage payment, more than two years after the loan was made.

If the borrower in the above example is unable to pay the increased mortgage payment and the loan becomes delinquent, her mortgage servicer must initiate the early intervention procedures under Regulation X. The servicer must attempt to establish contact with the borrower and inform the borrower about available options to avoid foreclosure. The servicer must attempt to establish live contact with a delinquent borrower not later than the 36th day of the borrower's delinquency, and must send an early intervention written notice no later than the 45th day of the borrower's delinquency.²⁰⁵ If the borrower responds to these contacts and requests loss mitigation assistance, the servicer must then follow the loss mitigation procedures under Regulation X.²⁰⁶

While the RESPA procedures provide some potential relief for a consumer who is confronted with the escrow payment shock situation or experiencing a temporary hardship, they will not help a consumer who was given an unaffordable PACE loan because a program administrator failed to properly review the consumer's ability to repay.

We are also concerned that many PACE loans have been given to consumers who have a reverse mortgage. These consumers are not protected by the RESPA loss mitigation procedures because

²⁰⁴ 12 U.S.C. § 2609(c)(2); Reg. X, 12 C.F.R. § 1024.17(i).

²⁰⁵ Reg. X, 12 C.F.R. § 1024.39.

²⁰⁶ Reg. X, 12 C.F.R. § 1024.41.

servicers of reverse mortgages are exempt from the requirements.²⁰⁷ The program administrators' loss mitigation procedures are inadequate and fail to provide reverse mortgage borrowers with long-term solutions to payment problems.

14. EGRRCPA section 307 defines PACE financing as “financing to cover the costs of home improvements that results in a tax assessment on the real property of the consumer.” Please identify any public or private financing options that may satisfy this definition, whether or not commonly understood to be PACE financing.

PACE began as a method of financing energy efficiency home improvements through a partnership between public and private entities. However, PACE loans are no longer limited to energy-related work. Over time PACE programs have expanded so that loans may now be used for water conservation, hurricane hardening, and fire prevention.

The statutory definition in EGRRCPA section 307 contains only two limitations; that the financing cover “home improvements” and that it result in a property “tax assessment.” We urge the Bureau to further refine the definition through regulation to ensure that there are clear boundaries to the types of financing products that are covered by PACE regulations. The Bureau should specify that PACE financing must include the following attributes:

- PACE financing must fulfill a compelling public purpose. This public purpose must be clearly identifiable and verifiable. At a minimum, the public purpose and all qualifying home improvements must be approved by an act of the State legislature.
- PACE loans must be made under a program in which there are local government participants. In serving the public purpose, the program must not primarily be for the benefit of private entities or private investors even though private benefit may result incidentally.

If final PACE regulations issued by the Bureau take into account the unique nature of PACE by providing a less strict requirement than would apply to a comparable mortgage product, a result we hope does not occur, it is critical that the Bureau further restrict the coverage of PACE regulations to ensure that market participants do not partner with local governments to develop home loan programs simply to evade more restrictive requirements.

15. Please provide information about the source of funding for PACE financing transactions. For example, are the transactions funded with public or private capital? Which parties supply the capital used to pay the contractors installing the home improvement projects?

²⁰⁷ Reg. X, 12 C.F.R. § 1024.30(b)(2).

As discussed in our response to Question 10, the source of funding for PACE financing initially flows from limited obligation improvement bonds issued by the governmental PACE sponsor or joint powers authority. Unlike general obligation bonds, PACE bonds are special revenue bonds that are secured solely by the special assessment on the properties of participating homeowners. PACE bonds are not general obligations of the state, local government or tax authority. They are not backed by the full faith and credit of the state or local government.

After the bonds are issued, they are then purchased by program administrators as part of the securitization process. Program administrators facilitate the securitization of the bonds as asset backed securities (ABS), and the ABS notes are sold to private investors in the secondary market. Thus, the capital structure and ultimate source of funding for PACE financing is private investment.

16. Please describe the role of public bonds in PACE financing transactions. Please identify the bond-issuing authorities. What is the timing of bond issuance? Who purchases the bonds, and what effect does the purchase have? Where public bonds are not involved in PACE financing transactions, please describe the role of any other public financing mechanisms.

This is discussed in our response to Question 10.

An additional matter not discussed earlier is the PACE bond reserve. This reserve is funded through the administrative fee (or points) that PACE borrowers pay at loan origination. It is used to protect bond holders from shortfalls caused by borrower delinquencies. The role of the bond reserve is more fully described in the following excerpt from a WRCOG staff report requesting that the WRCOG Executive Committee approve an increase in the administrative fee:

The Master Bond Purchase Agreement (Attachment 1) between WRCOG and Renovate America establishes the parameters around the purchasing of bonds by Renovate America or its designee. Currently, the HERO Program receives revenue from a one-time assessment administrative fee on each project (similar to closing costs) of 4.99%. The one-time administrative fee supports Program administration and is split amongst the HERO Team, which includes Best Best & Krieger (BB&K), David Taussig & Associates (DTA), Public Financial Management (PFM) Renovate America, WRCOG, and the reserve for bond holders. This fee is what is utilized by WRCOG to staff the Programs, with any remaining net revenues allocated by the Executive Committee to Agency reserves, to members for various projects, the Fellowship Program, and for other regional project development (such as the Streetlight Program and Community Choice Aggregation feasibility and implementation).

The bond reserve is held by the Deutsche Bank, the Program Trustee, and is used to cover any shortfalls to the bond holder that results from a property owner not paying their annual assessment. Due to the total volume of HERO assessments put onto the tax roll on an annual basis, it has been determined by PFM, WRCOG's Financial

Advisor, that the current bond reserve allocation (0.075%) is not adequate to cover a large amount of delinquencies, and that the bond reserves allocation needs to be increased to 0.25%. This change would increase the 4.99% one-time administrative fee to 5.17%. For comparison, other PACE Provider fees range from 4.99% to 6.4%. PFM conducts regular review of the bond reserve and, throughout the life of the Program, the bond reserve allocation has been adjusted to provide sufficient coverage for the bond holders. Previously, any changes in the bond reserve or the administrative fee was covered by Renovate America. Due to the decrease in new assessments, Renovate America is no longer in a position to absorb an increase of 0.175%. In other terms, the increase in the administrative fee equates to an increase of \$36.00 to a homeowner with an average assessment of \$20,000.²⁰⁸

17. Please provide information about consumer repayment.

A. When does repayment begin after the financing agreement is signed?

In California, the timing of the first repayment depends on when the PACE assessment contract is executed and funded. PACE assessments funded between July 1 and the next June 30 are placed on the county tax rolls on or before the following August 10, and the first installment is due on November 1. As a result, if funding occurs before June 30, repayment begins in November of the same year. If funding occurs after June 30, the PACE assessment line item will not appear on the property tax bill until November of the following year.

If a homeowner has a mortgage and is escrowed for property taxes, however, the homeowner will not actually start repaying the PACE loan until the mortgage servicer conducts an escrow account analysis and adjusts the monthly escrow payment to reflect the cost of the PACE assessment as part of the homeowner's property tax bill. As explained in the example in response to Question 13(E), above, a homeowner with an escrowed property tax payment could experience a delay of up to two years before s/he begins making payments toward the PACE assessment through monthly escrow payments.

B. How frequently are payments made?

In California, payments on property taxes, including any PACE assessments, are made twice a year, with a first installment due between November 1 and December 10, and a second installment due between March 1 and April 10. In Florida and Missouri, property taxes are paid once a year.

If a homeowner has a mortgage and is escrowed for property taxes, however, the mortgage servicer makes the payments to the county tax collector, and the homeowner makes monthly payments into the escrow account to cover the property taxes, including any PACE assessments.

C. Are payments roughly equal throughout a consumer's full financing term, or

²⁰⁸ See Exh. 23 (WRCOG Administration & Finance Committee Staff Report, Feb. 14, 2018).

can payments change? Are interest rates fixed or variable? Are balloon payments required? If so, in what circumstances? Do PACE financing agreements always provide for full amortization?

PACE assessment payments as reflected on the property tax bill remain roughly equal throughout the full financing term unless the homeowner becomes delinquent on property taxes and incurs interest and penalties or prepays some or all of the balance due. Interest rates are fixed, and there are no required balloon payments as far as we know. PACE assessment contracts always provide for full amortization.

If a homeowner has a mortgage and is escrowed for property taxes, however, monthly escrow payments will increase significantly starting sometime after the PACE assessment is recorded. In addition, because escrow payment adjustments will almost always lag behind the first PACE assessment billing schedule, the initial year or two of increased escrow payments will likely be higher than in subsequent years due to significant shortages in the escrow account.

D. To which parties do consumers make payments? Does the party to which consumers make payments ever change over the life of the financing agreement? If so, in what circumstances does this occur and why?

All payments on PACE assessments are made to the county tax collector as part of the payment of the homeowner's property tax bill. If a homeowner has a mortgage and is escrowed for property taxes, however, homeowner makes monthly escrow payments to the mortgage servicer to cover the property taxes, including any PACE assessments. In those cases, the mortgage servicer is effectively conscripted into the role of collector for the PACE assessment.

E. After a consumer remits a payment, how is the payment distributed, and by whom?

The county tax collector's office and/or the county treasurer distributes PACE assessment revenue according to their agreement with the respective PACE programs operating in their jurisdictions.

F. Please describe any changes to payments or payment processes when a consumer becomes delinquent or defaults.

See response to Question 13 above.

G. Please describe any differences to payments or payment processes when a consumer has a mortgage loan with an escrow account for taxes.

As discussed in more detail above (Questions 17(A)-(D) and 13(E)) and below (Question 24), when a homeowner has a mortgage loan with an escrow account for property taxes, the homeowner (1) will very likely experience a significant delay in commencing repayment; (2) will make payments on the assessment as part of the monthly escrow payment to the mortgage servicer instead of making one or two payments per year to the county tax collector; and (3) due

to the mechanics of escrow accounts, will in most cases end up paying more each month in connection with the PACE assessment than 1/12 of the annual PACE assessment cost.

18. Please describe how PACE financing is integrated with local property tax systems and how specific information about the PACE financing obligation is distinguished from other real property tax obligations in the tax system. Who monitors repayment of the PACE financing?

As with most aspects of PACE, the responsibility for ensuring that PACE assessments are placed on the tax rolls falls initially upon program administrators. This provision from the WRCOG contract with program administrator PACEfunding describes the requirement:

PACEfunding shall work with the Program Assessment Administrator, and the counties within which the PACEfunding Program are offered to ensure that the proper contractual assessment installment are placed on the appropriate property owners property tax bills and that the contractual assessment installments shall be collected promptly for the properties subject to such contractual assessments.²⁰⁹

Program administrators also handle critical aspects of the bond procurement. The same contract with program administrator PACEfunding provides:

PACEfunding will electronically send the Contractual Assessment Data File for each Bond or Series of Bonds to be issued, along with all Bond Documents for each Bond or Series of Bonds, to Bond Counsel, the Trustee, David Taussig and Associates, and Public Financial Management for review and set-up.

PACEfunding shall execute and deliver the PACEfunding Closing Documents (as such term is defined in this Exhibit C above) to Bond Counsel at the Closing Location on or before the Closing Date.

Upon receipt of verification that all Closing Documents have been properly executed and, if applicable, recorded, PACEfunding or any assign, affiliate, subsidiary, or any other person or entity that PACEfunding designates will purchase the Bond or Series of Bonds pursuant to the Master Bond Purchase Agreement. Said purchase will be accomplished via a wire transfer to the Trustee.²¹⁰

After a PACE assessment is placed on the tax rolls, collection of the assessment is handled by the local tax collector in the same manner as other assessments and property taxes. The responsibilities of the local tax collector to collect PACE assessment may be set out in an

²⁰⁹ See Exh. 4 (in Exhibit B “Scope of Program Administration Services”).

²¹⁰ See Exh. 4 (in Exhibit C “Schedule of Responsibilities”).

agreement between the collector, governing PACE sponsor and the program administrator. An example of such an agreement, between Green Corridor and the Collier County Tax Collector, is attached as Exhibit 20. The agreement may provide for compensation to the tax collector for PACE collection. For example, the Uniform Collection Agreement between the Green Corridor and the Pasco County Tax Collector specifies that the collector will be compensated at the rate of 2 percent of the amount of each PACE assessment, which is the authorized rate under Florida law.²¹¹

The monitoring of PACE payments for purposes of the bonds and securitization notes is done by a contractor hired by the governmental PACE sponsors and program administrators. Similar to a subservicer in the mortgage context, David Taussig & Associates, Inc. (DTA) reviews the payment reports provided by the counties, identifies delinquencies, and sends delinquency reminder letters to PACE borrowers within 10 days of receiving the county's payment report.²¹² DTA also prepares lists of the properties that remain delinquent at the foreclosure deadline, which gets transmitted to counsel who will initiate foreclosure proceedings.

Like DTA, Willdan Financial Services serves as the assessment administrator for the securitization by Ygrene of some Florida and California PACE assessments.²¹³ Willdan performs the same functions as DTA – it reviews county tax payment records, prepares reports on PACE delinquent borrowers, sends delinquency reminder letters to PACE borrowers, and provides Ygrene with a list of the PACE liens that remain delinquent and require initiation of foreclosure proceedings.

19. To the extent not addressed above, please describe the role of State and local governments in PACE financing programs or individual PACE financing transactions following origination. Please identify any State or local government entities with regulatory or oversight authority over PACE financing or industry participants.

In California, a law (AB 1284) that went into effect on January 1, 2018, placed residential PACE administrators under the oversight of the Department of Business Oversight (DBO). It also set out a number of basic requirements for PACE administrators to follow, and authorized DBO to promulgate regulations. Final regulations have not yet been issued by DBO.

The PACE enabling statutes generally do not address oversight of program administrators or grant oversight authority over PACE industry participants to state agencies.

20. Please describe any financial costs to consumers that may be associated with PACE financing transactions, including, for example, costs resulting from interest, points, fees, or

²¹¹ See Exh. 21 (Uniform Collection Agreement, Section VII).

²¹² See Exh. 22 (Kroll Bond Rating Agency, ABS Pre-Sale Report, HERO Funding 2018-1 Class A Notes, May 10, 2018).

²¹³ Exhibit 9 (KBRA ABS New Issue Report, GoodGreen 2018-1, April 27, 2018, p. 19).

penalties. How do costs for home improvement projects financed using PACE financing compare to costs for comparable projects financed through other means?

PACE industry supporters claim that the avoidance of mortgage underwriting costs and reduction of risk to investors through the super priority position of PACE liens translates into lower costs for PACE borrowers. This has not proven to be true as some PACE loans are more costly than comparable loan products in the private mortgage market. For example, interest rates in 2017 for senior-lien residential PACE programs were in the range of 6 to 9 percent,²¹⁴ while interest rates on home equity loans during the same period were approximately 5 percent.²¹⁵

PACE borrowers in California also pay origination points of at least 5 percent of the loan amount and various administrative fees, resulting in APRs of about 10 percent or more. The sample financing disclosure for a \$10,000 PACE loan through the LA HERO program shows a \$579 origination fee, recording and administrative fee of \$230, county recording fees of \$75, and one-time assessment administration fee of \$155, for total financing costs in the amount of \$809.²¹⁶ The disclosure statement indicates that this loan has a note rate of 7.69 percent and an APR of 9.75 percent.

As discussed earlier, Florida consumers are charged a \$50 application fee, \$125 processing and underwriting fee, \$125 district recovery fee, \$125 recording & disbursement fee, \$90 bond trustee fee, \$65 title & escrow fee, and an origination fee of 3 percent.²¹⁷

PACE borrowers are also required to pay an annual administrative fee of approximately \$25 to \$40 or more, which is subject to change during the typical ten to twenty year term of the PACE loan. This fee generally covers the costs of servicing the assessment payments by the local tax collector.

PACE assessment contracts generally do not require the payment of a prepayment fee. Depending upon the time of prepayment, however, borrowers may be required to pay additional interest beyond the prepayment date. The early HERO program contracts required the borrower to pay unpaid principal on the assessment plus interest to the earlier of March 2nd or September 2nd occurring at least 50 days following the prepayment date. The current form HERO assessment contract now provides for “interest on the Assessment Prepayment Amount to the second business day of the second month following the date the prepayment is made.”²¹⁸ Recording fees are also collected by the county recorder upon prepayment or discharge of the assessment. These fees generally range between \$95 and \$125.

²¹⁴ See Exh. 25 (Chart prepared by California Assembly Committee for Joint Oversight Hearing on PACE).

²¹⁵ Elizabeth Bellis, et al., Energy Programs Consortium, Residential Property Assessed Clean Energy (R-PACE) – A Primer for State and Local Energy Officials, p. 7 (March 2017), available at www.energyprograms.org.

²¹⁶ See Exh. 1 (Financing Estimate and Disclosure, p. 2).

²¹⁷ See Exh. 5 (Green Corridor PACE District Program Guidelines, Appendix II).

²¹⁸ See Exh. 1 (Assessment Contract, Section 3, p. 3).

As discussed in response to Question 13, the potential costs to PACE borrowers are not limited to the contract terms. Additional penalties and interest may be charged for late and delinquent payments under the state's tax collection laws.

While program administrators claim they ensure that contractors do not overcharge for products and services, numerous examples of price gouging by contractors have been reported in the consumer stories we have provided. For some PACE borrowers, PACE financing has been more costly than a comparable project financed through other means.

21. Please describe any cost savings associated with home improvement projects funded with PACE financing, including, for example, utility savings or tax credits authorized under State or Federal law for PACE-eligible projects. Are projected savings calculated before PACE financing contracts are executed? If so, how, and over what period of time? Are actual savings tracked, and, if so, how do they compare with the projections?

A common selling point promoted by PACE program administrators and home contractors is that energy efficient upgrades will reduce the homeowner's utility bill in an amount sufficient to offset the cost of the improvements. However, homeowners with little knowledge about the relationship between the proposed improvements and actual energy savings are asked to sign PACE assessment contracts without being provided estimates of energy savings or other information needed to make such a determination.

Although PACE programs promote claims of energy efficiency and savings to the homeowner, they do not require that energy audits be done to confirm that the measures are appropriate for the homeowner or will reduce energy consumption. In fact program administrators have resisted attempts to make energy audits a program requirement, as this would slow down "point-of-sale" PACE transactions.

No analysis is done, either before or after the assessment contract is signed, to compare the homeowner's actual current energy bills to expected bills based on the energy-savings or renewable energy measures that the owner is considering financing with PACE borrowing. As reported in the consumer stories we have provided, borrowers often find that the increase in their tax bill or mortgage escrow payment far exceeds any reduction they have received in energy costs once the PACE improvements are completed. A glaring example of this problem are PACE loans that have been used in California to finance "cool-coat" paint jobs costing \$10,000 or more despite limited energy savings.

Contrary to the public purpose of PACE, there is little or no coordination between PACE programs and other state or local energy programs. For example, expensive PACE loans have been provided to lower income families who may be eligible for free or lower cost home energy improvements through the federal Weatherization program or other similar state and local programs.

22. In general, does the addition of PACE financing affect consumers' ability to meet their financial obligations? Please describe any such effects and why they may occur.

PACE loans were designed as equity-based financing products and, even with the recent introduction of ability-to-pay assessments as part of the California underwriting process, that legacy of focusing primarily on equity rather than affordability persists. As a result, for many homeowners, taking out a PACE loan leads to serious financial hardship as well as the risk of foreclosure. This is particularly true for elderly homeowners living on fixed incomes who, because they are likely to have more equity in their homes than younger homeowners and/or because they are often more susceptible to aggressive, in-home marketing tactics, are frequently targeted for PACE lending.

Some PACE borrowers have had to default on their other debt obligations in order to keep up with their PACE assessments.²¹⁹ Others have resorted to unsustainable borrowing from friends and family to keep up with the PACE payments, putting their future finances in further jeopardy. In other cases, homeowners unable to afford the increased property tax bill have financed the property tax payment with a credit card, thereby incurring both service fees to the county for using that method of payment²²⁰ and interest charges when they carry a resulting credit card balance.²²¹

For homeowners with mortgages who are escrowed for property taxes, the addition of a PACE assessment to the property tax bill has frequently driven their escrow payments to unaffordable levels. One Spanish-speaking homeowner in Stockton, California, saw his escrow payment shoot up by almost \$500 a month, while a senior homeowner in Oakland, California, whose monthly fixed income was only about \$1,000, faced an increase in her escrow payment of over \$900.²²² As a result of these steep increases, many PACE borrowers have been unable to make their full mortgage payments and have gone into default and even foreclosure.

Homeowners with reverse mortgages face a different set of challenges when a PACE assessment is added to the property tax bill. Because reverse mortgage borrowers are required to stay current on property charges as a condition of their mortgage agreements, even a single missed property tax payment to the county can qualify as a default that triggers acceleration of the loan. As described by many of the comments submitted by practitioners, these homeowners are at grave risk of foreclosure.

The financial devastation suffered by many PACE borrowers is the direct result of program

²¹⁹ See, e.g., Appendix (#33).

²²⁰ For example, the Orange County tax collector charges a service fee of 2.29% on credit card payments of property tax bills. See <http://www.ttc.ocgov.com/proptax/infofaq/faq/paymethod#2254>.

²²¹ See, e.g., Appendix (#30). Given that the PACE industry promotes itself as a more affordable alternative to financing home improvements with credit cards, the fact that low-income homeowners are ending up paying high credit card interest rates on both the principal and the interest and fees they have incurred on a PACE loan is particularly troubling.

²²² See Appendix (#31).

administrators' failure to assess affordability adequately or at all, coupled with a program design that invites and rewards abuses by contractors and facilitates practices that obscure rather than disclose the true costs and the real risks of financing a home improvement project with a PACE loan.

PACE program administrators and industry supporters will likely submit comments in this docket that refer to the DBRS rating agency report on PACE delinquency trends.²²³ This report suggests that PACE loans have "low delinquency levels around 2% to 4% at the peak, declining to less than 1% within 12 months."²²⁴ However, this report is not representative of the PACE loan market as it considers only PACE assessments that are paid directly by homeowners and not those made through mortgage escrow accounts. If the homeowner has a mortgage with an escrow and is current with mortgage payments, the servicer is required under RESPA rules to pay the PACE assessment through an escrow disbursement even if there are not sufficient funds in the borrower's escrow account.²²⁵ Thus, the tax payment records that DBRS relied upon for the report would not show a tax default even though the homeowner may be struggling with making mortgage payments because of the PACE assessment.

Although not referred to in the delinquency report, DBRS' own records indicate that the vast majority of PACE borrowers have a mortgage on the property. The DBRS pre-sale report for HERO Funding 2017-1 (p. 8) states that 93.66 percent of PACE borrowers also have a first lien mortgage on their home.²²⁶ It is estimated that at least 57 percent of mortgage accounts in California had escrow accounts in 2017, and that number is growing over time.²²⁷ The DBRS delinquency report is incomplete and should not be relied upon as it did not consider the impact of PACE loans on mortgage delinquencies or other household obligations.

23. Please provide information about the liens associated with PACE financing. How do they differ from liens securing other property tax obligations that may encumber residential real property? Do PACE financing liens arise by operation of law or contract?

The critical distinction between property tax obligations and PACE assessments is that PACE liens are completely voluntary. The opt-in requirement for PACE is unique in that no similar requirement exists for other property tax obligations, including special assessments for local government shared benefit improvements (street paving, parks, open space, water and sewer systems, street lighting) that are imposed on all property owners within a contiguous geographic area. Under PACE financing, only property owners who choose to participate incur assessments and have liens against their property. Property owners who do not participate in PACE do not contribute to the costs of the program.

²²³ See DBRS Commentary, Residential PACE Delinquency Trends, Feb., 2018.

²²⁴ *Id.*

²²⁵ 12 C.F.R. § 1024.17(k)(2).

²²⁶ Available at: <https://www.dbrs.com/research/309292/hero-funding-2017-1-presale-report>.

²²⁷ Dominique Lalissee, Escrow vs. Non-Escrow Mortgages: The Trend is Clear, June, 21, 2017, <https://www.corelogic.com/blog/2017/06/escrow-vs-non-escrow-mortgages-the-trend-is-clear.aspx>.

Unlike *ad valorem* property tax obligations, the homeowner must affirmatively consent to a PACE assessment and the related lien, and this consent must be memorialized in a written contract. The LA HERO assessment contract makes this clear in the following clause:

WHEREAS, Chapter 29 [of Division 7 of the California Streets & Highways Code] provides that assessments may be levied under its provisions 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;²²⁸

Unlike liens securing *ad valorem* property tax obligations, which arise solely by operation of law, PACE assessment liens arise by both contract and operation of law. With PACE the homeowner must sign a contract (assessment contract) and state law must authorize the creation of the lien either in the PACE enabling statute or in the general statute governing special assessments.

Under most PACE enabling statutes, including the three states with active programs, PACE assessments have equal lien priority with *ad valorem* real estate taxes and other special assessments, and have priority over all non-tax liens, including mortgages. Similar to other assessments, a PACE lien remains on the property until the loan is paid in full despite intervening sales.

24. Please provide information about the treatment of PACE financing obligations by servicers of mortgage loans responsible for servicing mortgages that were placed on the property before the PACE financing encumbrance. For example, do mortgage servicers typically administer PACE financing obligations through escrow accounts? Please describe the relevant processes and any effects on the mortgage servicer or the consumer. How quickly after PACE assessments are added do mortgage servicers learn about the increase to the consumer's property tax bill? How quickly do mortgage servicers adjust consumers' escrow payments, where applicable, to reflect the change?

When a PACE assessment is added to the property tax bill of a homeowner who already has a mortgage, the increase in the property tax bill will result in one of the following arrangements:

(1) If the homeowner is responsible for paying the property taxes directly and is able to afford the increase from the PACE assessment, the mortgage servicer will not have any role to play in the collection of the PACE assessment.

(2) If the homeowner is responsible for paying the property taxes directly and is not able to afford the increased property tax bill, once s/he misses a property tax payment, the mortgage servicer will advance the taxes to the county and impose an escrow impound going forward. As a result, a homeowner who has been making one or two property tax payments a year will

²²⁸ See Exh. 1 (Assessment Contract, p. 1).

now have to budget for monthly escrow payments. For homeowners who cover their property tax bills with seasonal income or an income tax refund, this involuntary change in payment scheduling can be very challenging.

(3) If the homeowner is escrowed for property taxes already, the PACE assessment will be paid as part of the monthly escrow payment paid with the mortgage bill each month to the mortgage servicer.

In cases (2) and (3), where the mortgage servicer becomes responsible for collecting the PACE assessment through an escrow payment, the situation can get extremely complicated and confusing for a homeowner for a number of reasons. First, mortgage servicers review escrow accounts and adjust escrow payments to reflect any changes in the property charges once every 12 months,²²⁹ and the annual escrow review date frequently either precedes or lags behind the fixed date when property tax bills are issued. If the servicer analyzes the escrow account just before property taxes bills are issued, for example, the servicer will advance the full property tax amount, including the PACE assessment, but the escrow account will carry a deficiency forward. At the next escrow account review, the servicer will calculate the new escrow payment by adding to the base payment (1/12 of the actual annual property charges) a reserve cushion of up to 1/6 of the annual property charges, an amount sufficient to repay the deficiency (*i.e.*, the prior year's PACE assessment payment) plus an amount to cover the upcoming PACE assessment that was not accounted for in the prior year's escrow analysis (called an escrow shortage).²³⁰ These adjustments will result in a sharp increase in the escrow payment many months – or even more than a year – after the homeowner took out the PACE loan.

The information provided by PACE programs regarding the interplay between PACE assessments and escrow impound accounts is woefully insufficient to prepare homeowners for this type of payment shock – or to equip them to prevent it. Instead of providing actual examples of the potential downstream effects of a PACE assessment on an escrow payment and helping the homeowner communicate with the mortgage servicer's escrow department, PACE programs generally just recommend that homeowners contact their lenders about the anticipated increase in the property tax bill. For example, California's financing estimate and disclosure includes the following advice: “If you pay your taxes through an impound account you should notify your mortgage lender, so that your monthly mortgage payment can be adjusted by your mortgage lender to cover your increased property tax bill.”²³¹ Under “Frequently Asked Questions” for LA County's PACE program, the program “recommend[s] that property owners share contractual documents with lender(s) or mortgage servicer(s) to determine the appropriate increase for the escrow impound account to render payment for property taxes.”²³²

This laissez-faire approach of leaving it up to the homeowner and the mortgage servicer rests on two unreasonable assumptions, one about homeowners' understanding of how escrow impound accounts work, and the other about how escrow departments actually function. It is unrealistic to

²²⁹ Reg. X, 12 C.F.R. § 1024.17(c)(3).

²³⁰ See Section 13(E), above, for an illustration of this scenario.

²³¹ Cal. Str. & H. Code § 5917 (under "Other Important Considerations").

²³² See Question 12 at <http://pace.lacounty.gov/residential/index.html>.

assume that a homeowner will be able to successfully request an advance adjustment to an escrow payment without more information and guidance. Even experienced practitioners often find deciphering escrow account statements and navigating changes to escrow payments difficult. And, given that escrow departments are under no obligation to conduct escrow account reviews before the next scheduled annual review,²³³ there is no guarantee that even a well-framed request will result in the necessary adjustment.

25. To the extent not already addressed, please provide any additional information about the unique nature of PACE financing, how the Bureau's regulations should account for the unique nature, and any risks or benefits to consumers or industry participants attributable to the unique nature.

This question is addressed in our introductory comments and the responses to other questions.

V. Potential implications of regulating PACE financing under TILA.

Our recommendations and analysis regarding how the existing TILA and Regulation Z provisions could be applied to PACE financing to implement EGRRCPA section 307 are provided in full earlier in these comments. These proposals were developed keeping in mind the Bureau's goal of adapting existing TILA and Regulation Z standards while taking into account potential impacts on consumers and industry, as well as any potential implementation challenges specific to PACE financing. In fact, most of TILA's ATR and remedy provisions can be implemented without changes, and where changes are needed they generally are necessary to address the uniquely harmful aspects of PACE lending. We also make recommendations earlier in these comments on how to issue regulations on PACE under other significant TILA provisions, including whether those should be adapted.

26. If existing ATR requirements in TILA and Regulation Z were to apply to PACE financing transactions, please describe any likely effects on State and local governments or bond-issuing authorities.

While governmental PACE sponsors are creditors for PACE loans, they have essentially delegated origination and servicing duties to the PACE program administrators or other contractors. As a result, while the governmental authorities are technically the creditors for purposes of TILA's requirements, they are being implemented by their agents, the program administrators. As a result, any question of how to address duties to ensure compliance or liability for violations can be addressed through the contracts between the governmental PACE sponsors and the program administrators.

27. Please describe any likely effects of such application on consumers or PACE financing industry participants.

²³³ See Reg. X, 12 C.F.R. § 1024.17(f)(1)(ii) (mortgage servicer has discretion over whether to conduct an escrow analysis "at other times during the escrow computation year").

Implementing TILA's protections for PACE should not have a significant impact on PACE financing industry participants. TILA compliance can be established through policies and procedures, and TILA compliance software. While TILA compliance will require certain changes to how PACE financing is conducted, such as more thorough documentation and verification of income and expense and specific analyses for affordability, these are standardized processes that can be developed and implemented systemically. Changes to the overall business model to ensure a safe and transparent product will provide greater stability for the PACE market over time, even if it requires certain investments up front.

Moreover, implementing TILA's protections for PACE should not have a significant impact on rates because program administrators already indemnify PACE government entities. TILA compliance would simply become part of this existing arrangement.

Implementing TILA's protections on PACE would in fact have a major impact on consumers—it would transform a market where low-income and elderly homeowners are receiving unsustainable loans to one where homeowners are more likely to receive loans they can afford. Conversely, if the Bureau failed to provide adequate TILA protections in this emerging market, the result would be the expansion of the harmful effects already emerging from the neighborhoods that are on the front lines of PACE's marketing in low-income communities.

While some will argue that greater regulation will inhibit access to PACE, access is important where it provides an opening for sustainable forms of credit. Historically underserved communities are now facing the next phase in targeted unsustainable lending—home improvement contractors and PACE program administrators providing loans for services that often provide benefits far fewer than represented while costing the homeowner more than they can afford. (We recognize that issues regarding the quality of contractor work and the question of whether products save energy or money may be beyond the scope of this rulemaking.) Many of these developments are in the same neighborhoods targeted by abusive subprime lenders and home improvement contractors in the 1990s. While we support energy efficiency retrofits, including in low-income areas, they must be done in a manner that supports long-term sustainability. PACE should be adapted to ensure this is possible.

28. If applied to PACE financing transactions, which specific ATR provisions under TILA and Regulation Z, if any, would conflict with existing State or local legal requirements, and how? What steps could the Bureau take to mitigate those conflicts?

Generally, TILA does not affect any state law unless the state law is inconsistent with the federal law and only to the extent of the inconsistency. State law is inconsistent if it requires an action that contradicts the requirements of TILA.

In Florida and Missouri, state law does not speak to ability to repay and thus there is no conflict. Instead, the Bureau's regulations would simply apply. To the extent that state law, such as in California, provides greater protections, there would be no conflict and California PACE borrowers would have the benefit of those greater protections. To the extent that any state has

weaker provisions that are in conflict with TILA’s mandate, the Bureau should not take steps to mitigate that conflict. TILA’s architecture contemplates this issue and Congress concluded that TILA’s approach should apply in instances of a conflict.²³⁴ Moreover, Congress’s directive in section 307 directly instructs the Bureau to apply TILA’s ATR rules and was passed when at least one state already had adopted certain ATR measures.

29. Which specific ATR provisions under TILA and Regulation Z would be difficult for market participants to apply to current PACE financing origination practices, bond processes, or laws and practices implicating real property tax systems, and why would they be difficult to apply?

Current PACE origination practices contemplate a point-of-sale contract with no opportunity for non-automated verification. Compliance with TILA’s income verification and documentation requirements will require additional care. Such a change is not prohibitive, simply a different approach; one that ensures a loan is reasonably affordable. For example, in order to prevent loan stacking, program administrators would need to ensure that there has not been another recent PACE loan made, as we describe further earlier in these comments.

30. Which specific ATR provisions under TILA and Regulation Z, if any, would be beneficial for consumers, and how? Which, if any, would not provide consumer benefits, and why not?

Here we incorporate by reference the first several sections of these comments, setting out our recommendations on how the Bureau should establish PACE ATR regulations and our analysis regarding the Bureau’s authority to do so.

All of TILA’s general ATR requirements would be beneficial for consumers (except for elements that may be irrelevant, such as certain aspects of the calculation rules for irregular loans). The elements of the ATR process work together to ensure a homeowner’s loan is reasonably evaluated for affordability based on documented and verified income, assets and expenses. The use of DTI with or without residual income is a centerpiece of that analysis and any approach used by PACE originators must satisfy a “reasonably reliable” standard to ensure the goals of the statute are met. As discussed earlier in these comments, at present there is no stand-alone residual income test that would meet that standard.

We do recommend that the Bureau exempt PACE loans from Qualified Mortgage eligibility. Such a presumption of compliance is reserved for inherently safer loans. By definition, PACE loans, with their superpriority lien, sparse payment schedule, and consistent use of contractors as loan originators present heightened risks that disqualify them from such a presumption.

²³⁴ 15 U.S.C. § 1610.

31. How could TILA's existing ATR requirements be tailored to account for the unique nature of PACE financing? Are there unique aspects of PACE financing that are relevant to whether and how the existing ATR requirements should apply, including the documentation and verification requirements or the specific information required as part of the analysis?

As noted in the previous answer and in the earlier sections of these comments, TILA's existing requirements on ATR need little change to accommodate PACE. In particular, it is important that the Bureau retain the documentation and verification requirements to ensure that indeed homeowners are reasonably being evaluated to ensure their loans are affordable. Some of this information can be obtained electronically. Even where more time is needed, it is crucial to note that PACE loans create a lien on a person's real property. As such, they are not comparable to credit cards or other forms of unsecured credit. The care and deliberation in making such a loan must reflect the risks associated with the homeowner's new debt.

We note several aspects of TILA's ATR rules that require additional provisions to account for the unique nature of PACE, including:

- providing a procedure for program administrators to notify servicers of the new loan to ensure the escrow incorporates the new loan to limits the development of an escrow shortage;
- providing enhanced ATR analysis for borrowers who have reverse mortgages or who do not have escrows (including those who have no existing mortgage) to ensure that the increased tax payment obligations, which will only arise once or twice per year, can be satisfied;
- providing procedures to prevent loan stacking and to ensure recently originated PACE loans are incorporated into the ATR analysis; and
- exempting PACE loans from Qualified Mortgage eligibility due to their inherently risky characteristic.

32. As described above, EGRRCPA section 307 requires the Bureau to apply TILA section 130 to violations of the ATR requirements that the Bureau will prescribe for PACE financing. Please provide your views on any likely impacts on consumers or PACE financing market participants of applying TILA section 130. Please describe any other concerns associated with applying TILA liability to PACE financing, including but not limited to TILA section 130.

Application of TILA remedies in the context of PACE loans has been directed by Congress, is straightforward in terms of procedure and calculations, and is an important aspect of ensuring compliance with the Bureau's regulations. Below we set out how TILA's remedies are constructed, how they apply to the ATR requirement and certain other key provisions, and the relationship between section 130 and 131.

The availability of remedies for TILA violations is the touchstone for compliance. TILA's remedies are measured, with clear standards and modest sums, incentivizing voluntary

compliance while striking a reasonable balance when a consumer has been harmed. Moreover, consumers rarely bring TILA litigation. Legal resources are sparse and thus few homeowners find representation. Those who do only have their cases taken in clear instances of violations. Moreover, class action cases are challenging to certify unless a violation is truly systemic. Thus, TILA's remedies are best understood as an incentive to comply. Any effort to paint TILA's liability provisions as catastrophic, complicated, or ambiguous flies in the face of actual practice and the text of the statute and regulation.

The Bureau can apply TILA's remedies simply by placing the PACE regulations in the relevant sections of Regulation Z, where the remedies already apply. No additional measures are needed. As described below, application of TILA's remedies to PACE requires no modifications. Notably, section 130 includes subsection (k) which currently makes clear that violations of the ability-to-repay rules in section 1630c(a) may be raised defensively at any time by way of recoupment or set-off in a foreclosure or debt collection action. Simply stating that section 130's affirmative remedies apply to the Bureau's PACE rules is rather obvious but, in any case, is mandated by Congress.

The history of 130 and 131 (assignee liability) shows that they must be read together. Consequently, the Bureau should cross-reference that both provisions apply to the PACE rules added to Regulation Z.

The Role of the Remedy Provisions in Section 1640 (§ 130 of the Act) and the Balances Struck by Congress

Congress crafted the remedy provisions of TILA in section 1640 to create a meaningful deterrence against creditor noncompliance and an incentive for voluntary compliance to further the goals of the Act, i.e., to enhance economic stabilization and competition among those engaged in extending consumer credit.

Specifically, section 1640 creates a private right of action that consumers may bring in federal or state court. TILA imposes liability on creditors (or new owners or assignees in certain circumstances) for the failure to comply with any requirement imposed under specific Parts (B, D, and E) of the Act. These Parts cover the core disclosure and consumer protection rules regarding credit transactions, credit billing, and consumer leasing. Relief includes actual and statutory damages, enhanced damages for specified violations (including certain mortgage requirements), and reasonable attorney fees and costs.

Statutory damages are capped at twice the finance charge not to exceed \$2,000, \$4,000, or \$5,000 depending on the type transaction involved (leases and closed-end credit not secured by real property, closed-end credit secured by real property or dwelling, and open end consumer credit plans, respectively). Statutory damages are not available for all disclosure violations whereas actual damages are not similarly circumscribed. While actual damages are not capped, they are, however, difficult to prove because several courts impose a detrimental reliance standard for disclosure violations.

Enhanced damages must be awarded for violations of three sets of rules, those applying to the most expensive mortgage loans on the market—high cost or HOEPA loans, those prohibiting mortgage loan steering incentives, and those requiring creditors to apply reasonable underwriting standards to mortgage loans to assure that consumers have the means to repay them. Enhanced damages are not available to deter creditor noncompliance with the range of disclosure rules or other protections against predatory terms, abuse, or overreaching by creditors found in TILA. This focus on these three specific sets of rules spotlights Congress’ heightened concerns about the risks posed to consumers and to the economy as a whole by mortgage loans that violate these requirements. In fact, Congress enacted the Dodd-Frank Act and added the ability-to-repay provisions to TILA in response to data and testimony submitted to it and to the Financial Crisis Inquiry Commission showing that the economic crisis gripping the country began when large numbers of homeowners defaulted on poorly underwritten subprime mortgage loans.²³⁵

Enhanced damages can be greater than actual or statutory awards because the amount is equal to the sum of all finance charges and fees paid by the consumer, unless the creditor proves that its failure to comply was not material.

Although not presently applicable to the ATR provision, the rescission remedy applies in the case of consumer credit transactions in which a security interest (i.e., any type of a voluntary consensual lien) is or will be retained or acquired in a consumer’s principal dwelling that is not used to finance the purchase of the home. The consequences of rescission are addressed in section 1639. The statutory damages provisions of section 1640, however, are triggered for violations of the creditor’s failure to abide by the duties imposed when a consumer rescinds. Congress provided for reasonable attorney fees in the case of a successful consumer action to encourage consumers to act as private attorneys general where the available actual and statutory damages would not otherwise justify remedial litigation.

Congress built in protections for creditors and assignees against catastrophic liability. Punitive damages are not specifically allowed. In addition, section 1640 allows class actions but severely limits the total statutory award for class members to the *lesser* of \$1,000,000 or 1% of the creditor’s net worth. In addition, TILA contains several statutory defenses that allow a creditor to avoid liability in the event that it corrects its error, makes a bona fide error, or relies in good faith on a rule, regulation, or interpretation of the CFPB.

The Remedies Available for Violations of the Ability-to-Repay Rules in Section 1639c as Applied to PACE Loans

Congress directed the Bureau to issue a regulation stating that the remedies in section 1640 apply to PACE loans. We urge the Bureau to follow this mandate.

Violations of the ability-to-repay rules trigger actual and statutory damages, attorney fees, and costs as described above because section 1639c is housed in Part B of TILA. Courts also must

²³⁵ Fin. Crisis Inquiry Comm’n, *The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the U.S.* xxii (2011), available at fcic.law.stanford.edu/report.

award enhanced damages when creditors fail to apply reasonable underwriting standards to mortgage loans to assure that consumers have the means to repay them.

Applying section 1640 to creditor noncompliance in the context of PACE loans is a relatively simple task. Regarding actual damages, there is nothing unique about PACE loans. The components of actual damages under common law typically include consequential damages, damages for emotional distress, and prejudgment interest. There is a body of law addressing these components in the context of TILA.²³⁶

As previously noted, however, the detrimental reliance standard imposed by several courts results in difficult proof hurdles for consumers. Thus, awards for actual damages are fairly rare as is the certification of class actions seeking actual damages. Similarly, the applicable statutory damages calculation is straightforward—twice the amount of the finance charge in connection with the transaction up to \$4,000. The issue boils down to what fees constitute finance charges in addition to interest. This is the same analysis that is applied in every consumer credit transaction in which a violation of TILA occurs for which statutory damages are available.

The definition of “finance charge” and exceptions to the general rule appear in section 1605 which is fleshed out in Regulation Z. PACE loans do not present oddities that TILA and Regulation Z do not currently address. Section 1605 defines the amount of the finance charge as the sum of all charges, payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to the extension of credit. This is a very broad definition. The statute goes on to identify examples of charges that are included in the finance charge and then lists items that may be excluded and under what circumstances.

For example, a review of the California HERO Program Assessment Contract (Residential) (Dec. 2017)²³⁷ and Financing Estimate and Disclosure reveals that the Western Riverside Council of Governments imposes the following fees at consummation for a \$10,000 PACE loan:

Bond Related Costs	\$517.00
County Recording Fees	\$75.00
One-time Assessment Fees	\$155.00
Prepaid Interest ²³⁸	\$578.19
Interest paid over loan term	\$5,317.40 (\$5,895.59 total minus \$578.19) ²³⁹
Annual Assessment Fees	\$400.00 (\$40 for ten years)

The Financing Estimate and Disclosure makes clear that these fees are included in the loan principal (labeled “financed amount” or “amount financed”).

²³⁶ Nat’l Consumer Law Ctr., Truth in Lending § 11.5.6 (9th ed. 2015) and online updates.

²³⁷ Available at https://9662473e561b2ca15fec-e991096dabe6d2069d3f005000c6b73d.ssl.cf2.rackcdn.com/CAHERO_SampleHEROFinancingDocs.pdf.

²³⁸ Interest that accrues from closing to a date the next year when first annual payment is due.

²³⁹ See Exhibit B to sample HERO Assessment Contract.

Applying section 1605 and related Regulation Z provisions, Bond Related Costs are finance charges because they meet the general definition and are not excluded from coverage either directly or by analogy. These fees are analogous to examples of finance charges found in Regulation Z § 1026.4(b)(2) and (6).

County recording fees meet the general definition but are excluded under section 1605(d) in real estate transactions.

One-time Assessment Fees meet the general definition and are not specifically excluded from coverage either directly or by analogy. These fees are analogous to examples of finance charges found in Regulation Z § 1026.4(b)(2) and (3).

Prepaid interest (also known as “per diem” interest in the context of real estate secured transactions) is a finance charge because it is interest and no exceptions apply. In addition, interest to be charged over the life of the loan always is part of the finance charge. Annual Assessment Fees totaling \$400.00 are finance charges because they are imposed at the outset and are collected in the annual payment of \$1,704.26.²⁴⁰ These fees are analogous to fees listed in Regulation Z § 1026.4(b)(2). They do not constitute charges for participation in a credit plan because that exclusion does not apply to closed-end credit and because the fees are not charged in order to access a credit plan.²⁴¹

Since the total finance charges listed above exceed \$4,000, the amount of statutory damages is limited to \$4,000.

A court also must award enhanced damages for a violation of the ability-to-repay rules. Enhanced damages equal the sum of all finance charges and fees actually paid by the consumer at the time of the award, so long as the action is filed within three years of the violation.²⁴² In the HERO example, if the consumer has made all payments for three years, enhanced damages equal the finance charges paid at consummation (\$517.00 + \$155.00 + \$578.19 + \$400) plus the interest paid for three year period (\$2,552.97²⁴³). Enhanced damages equals \$4,203.16 in this transaction.

In addition, when a “creditor, assignee, or other holder of a residential mortgage loan or anyone acting on behalf” of those parties initiates a judicial or non-judicial foreclosure or debt collection action, section 1640(k) states that the consumer may raise ability-to-repay claims as a matter of defense by recoupment or set off without regard for the time limit on a private action for damages.

²⁴⁰ Fees that pay for recurring administrative services during the term of the loan are finance charges. Reg. Z § 1026.4(c)(7)(iv); Official Interpretations § 1026.4(c)(7)-3.

²⁴¹ Official Interpretations § 1026.4(c)(4)-1.

²⁴² See 15 U.S.C. § 1640(e).

²⁴³ This total is based upon amortizing a principal of \$11,725.19 (\$10,000 + \$517 + \$155 + \$578.19 + \$400 + \$75) for ten years with an annual payment of \$1,704.26 and an interest rate of 7.69%.

As is evident, nothing about PACE loans is unique when it comes to calculating monetary remedies under section 1640. Industry participants can and do price for this risk, including for assignee liability in cases brought in defense of a foreclosure under subsection (k) of 1640. The rescission remedy currently does not apply to violations of the ability-to-repay rules. This is so because Regulation Z states that the right to rescind is triggered only for a closed list of violations, including: 1) the failure to properly notify the consumer of the right to rescind; 2) the failure to provide other “material disclosures”; 3) specific prohibited terms if they appear in high-cost loans; and, 4) prepayment penalties in other mortgage loans.²⁴⁴

In the context of PACE loans, the remedy of rescission should apply to violations of the ATR rule addressing loan stacking, described earlier in these comments. The Bureau can accomplish this by amending Regulation Z § 1026.23(a)(3)(ii) by adding the citation to an anti-stacking rule at the end of this subsection.

There is both FRB and Bureau precedent supporting an addition to section 1026.23(a)(3)(ii). When HOEPA was added to TILA in 1994, Congress redefined "material disclosures" to include the HOEPA disclosures in section 1602(v)²⁴⁵ and authorized the FRB to issue regulations implementing the statutory additions.²⁴⁶ The FRB complied by amending Regulation Z to make clear that a violation of the HOEPA disclosure provisions triggered extended rescission. At the same time, the agency added that a violation of the high-cost loan rule prohibiting specified loan terms also triggered the extended right to rescind.²⁴⁷ Later, the Bureau followed this example and referenced the prepayment penalty restrictions applicable to higher-cost loans in section 1026.23(a)(3)(ii), meaning that violations trigger the extended rescission right.²⁴⁸

Loan stacking as a form of ATR violation requires this additional rescission remedy due to the unique nature of this violation. As discussed earlier in these comments, contractors are essentially using the PACE system to obtain multiple contracts on the same home, often before any of them are recorded. Because there is more than one contract, providing a damages remedy still leaves the homeowner in multiple contracts if the damages do not fully cover the latest loan. As we note earlier, program administrators and governmental authorities are able to work together to identify other recent PACE loans even before a proper database is established. Not engaging in such due diligence causes extreme, preventable harm to the homeowner.

The Remedies Available for Violations of the Loan Originator Compensation in Section 1639c and of the Duty to Provide Periodic Statements in Section 1638(f)

²⁴⁴ Reg. Z § 1026.23(a)(3)(ii).

²⁴⁵ Failure to properly and accurately provide the "material disclosures" triggers rescission for up to 3 years. *See* §§ 1635(a) (containing the phrase "material disclosures"); 1635(f) (extending right to rescind to up to three years if rescission forms and other required disclosures are not properly made).

²⁴⁶ Pub. L. No. 103-32, sec. 165 (Sept. 23, 1994), 108 Stat. at 2197.

²⁴⁷ 60 Fed. Reg. 15,463 (March 24, 1995).

²⁴⁸ 78 Fed. Reg. 30,739 (May 23, 2013). Later that same year, the Bureau replaced the cross-reference to § 1026.35(e) with § 1026.43(g) (restriction on prepayment penalties in loans secured by a dwelling). 78 Fed. Reg. 60,382 (Oct. 1, 2013).

Because the Bureau has the authority to address application of TILA's other provisions to PACE loans, we discuss certain additional remedy provisions. As with the ATR remedies, the amounts are specific and limited.

Monetary damages must be awarded for violations of rules prohibiting mortgage loan steering incentives because section 1639b appears in Part B of TILA. The Dodd-Frank Act also expanded the definition of "creditor" to include "mortgage originators" to eliminate any question as to whether section 1640 remedies apply to mortgage brokers or other third parties that meet the mortgage originator definition. However, the total amount of damages that a court can award for violations of the steering and compensation rules, including enhanced damages under section 1640(4) shall not exceed the greater of actual damages or an amount equal to the three times the total amount of direct and indirect compensation or gain accruing to the mortgage originator. This limitation is found in section 1639b(d), not section 1640. Rescission is not available for violations of the steering compensation rules, as discussed in the previous section. Because the provision requiring periodic statements is contained in section 1638(f), statutory damages are unavailable. Nonetheless, a claim for actual damage attorney fees, and costs based on violations of this rule are actionable.

The Relationship Between Sections 130/1640 and 131/1641 as applied to PACE Loans

The question arises as to whether assignee liability is available in affirmative cases brought to enforce the ATR provision in cases involving PACE. As discussed below, Congress crafted sections 130 and 131 to operate together.

The original version of TILA enacted in 1968 addressed assignee liability primarily in section 130(d).²⁴⁹ Section 130 was titled "Civil liability" (as it is today); whereas section 131 was titled "Written acknowledgment as proof of receipt."²⁵⁰

When Congress overhauled the Act in 1980, it amended the assignee provision in section 130(d), placed it in section 131 as new 131(a), renumbered the acknowledgement of receipt provision as 131(b), and added new subsection (c) providing for assignee liability in the rescission context.²⁵¹

²⁴⁹ It stated that in an action involving a credit transaction secured by real property, an assignee of the creditor may be liable if the assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor at the time the credit was extended or at the time of the assignment. The assignee could avoid liability if it could show that it did not have reasonable grounds to believe that the original creditor violated TILA and it maintained procedures to apprise it of the existence of any such violation. Pub. L. No. 90-321 (May 29, 1968), 82 Stat. 157.

²⁵⁰ This section limited the liability of assignees on the narrow issue of whether the consumer received required disclosures where a signed form acknowledging receipt existed. 82 Stat. 157.

²⁵¹ Pub. L. No. 96-221 (March 31, 1980), 94 Stat. 182.

At that time, section 131 was renamed “Liability of assignees.” The assignee liability rules have remained in section 131 since that time and have been expanded upon over the years.²⁵²

This history shows that these two sections are interconnected and operate in tandem. Indeed, section 130 originally contained the assignee liability provision addressing any violation of TILA in the context of credit secured by real property; whereas 131 originally housed a narrow assignee provision related to the consumer’s receipt of disclosures.

Since 1981, the remedies that apply in cases against assignees appear in section 130, as well as defenses available to both creditors and assignees, such those allowing correction of errors, bona fide errors, and reliance in good faith on a rule, regulation, or interpretation of the CFPB. Meanwhile, section 131 specifies the conditions under which assignees are subject to the damage and rescission remedies described in section 130 due to the non-compliance of the original creditor. Regarding damages, these provisions focus on what the assignee reasonably could have known at the time of the assignment.

Notably, the Dodd-Frank Act added subsection (k) to section 130. It provides that when a “creditor, assignee, or other holder of a residential mortgage loan or anyone acting on behalf” of those parties initiates a judicial or non-judicial foreclosure or debt collection action, the consumer may raise violations of ability-to-repay rules defensively by recoupment or set off without regard for the time limit on a private action for damages. This further supports the symbiotic relationship Congress created between sections 130 and 131. Congress understands that assignees provide the funding for loans regulated by TILA and it is only by incentivizing assignees to ensure compliance that a market can properly function.

Because the history shows that sections 130 and 131 must be read together in the case of assignee liability, the Bureau should state in Regulation Z that both sections 130 and 131 apply. As discussed in response to Question 33, PACE loans are subject to a broad swath of TILA beyond the ability-to-repay rules. As such, section 131 applies in any event.

33. Please share your views on whether the Bureau should address the application of TILA and Regulation Z provisions other than the ATR requirements to PACE financing, including any potential impacts on consumers, industry, or other stakeholders that may result from any such application.

As noted earlier in these comments, TILA already applies to PACE lending and the Bureau should address TILA’s application to PACE beyond ATR. We incorporate here the discussions on these issues provided earlier in these comments, including the recommendations for TILA regulations beyond ATR, the analysis of the Bureau’s authority, and the analysis regarding whether any adjustments to TILA are needed. As noted above, the Bureau should address the application of TILA and Regulation Z with respect to:

²⁵² See Pub. L. No. 103-325, 108 Stat. 2195 (Sept. 23, 1994); Pub. L. No. 104-29, 109 Stat. 274. (Sept. 30, 1995); Pub. L. No. 111-22, tit. IV, § 404(a), 123 Stat. 1658 (May 20, 2009); Pub. L. No. 111-203, § 1100A, 124 Stat. 1376, 2107 (July 21, 2010).

- Periodic statements;
- Restrictions on force arbitration and court actions;
- TILA/RESPA disclosures;
- Higher-priced mortgage loan rules, including escrow and appraisals;
- High-cost mortgages;
- Loan originator compensation; and
- Remedies for these respective requirements.

34. Please share any other comments or concerns about implementing EGRRCPA section 307 under TILA and Regulation Z.

Thank you for the opportunity to comment on this important rulemaking. PACE is an emerging product and this is a crucial opportunity to ensure that the known abuses are reined in by addressing TILA's application, including its remedies, to PACE mortgage lending, both under ATR and under the rest of the statute.

For further discussion, please contact Alys Cohen at acohen@nclc.org, John Rao at jrao@nclc.org, and Lisa Stikin at lsitkin@nhlp.org.

Appendix

Consumer Stories from Residential PACE Programs

The following Residential Property Assessed Clean Energy (PACE) Loans are from NCLC's 2017 report Residential PACE Loans: The Perils of Easy Money for Clean Energy Improvements¹ (Stories 1-29) and from a request for stories from advocates working on PACE in late 2018 (Stories 30-37).

Because the stories were collected in two batches, there are differences in the information provided in the headers of the stories depending on when they were collected.

If there are questions about a particular story please contact Michael Best at the National Consumer Law Center (mbest@NCLC.org) and he may be able to connect questions to contacts for specific stories.

1. \$64,000 Solar Panels for Habitat Home

Terms: \$24,000, 9%, 25

years **PACE provider:** n/a

Work: Solar

Panels Date of Work: n/a

Contact: David Battany, Habitat for Humanity Board Member

This single, low-income African-American woman owned a Habitat for Humanity home. She was one year from paying off her Habitat mortgage. Habitat services the loan and escrows tax payments. Habitat saw a huge spike in the tax assessment that the homeowner, who had an unstable work history, had no ability to pay. Upon investigation, Habitat determined that the homeowner had been solicited door-to-door for solar panels and was led to believe that the energy improvements would be done at no cost to her. She had no paperwork, but apparently signed on an electronic tablet. The terms of the PACE loan included an initial principal balance of \$24,000, an interest rate of 9%, and a term of 25 years, for a total cost of over \$64,000. The solar panel contractor apparently sent the agreement to the wrong email address, and the homeowner never received them. With the additional tax assessment the Habitat loan was no longer affordable. To prevent foreclosure, Habitat refinanced the PACE loan into a Habitat 0% loan over ten years.

2. Phantom Tax Credit and Illusory Energy Savings for Elderly Homeowner with Limited English Proficiency

Terms: Annual payment approximately \$3,900, estimated principal \$38,000

PACE provider: Renovate America (HERO)

Work: Solar Panels Date of Work: n/a

Contact: Alysson Snow, Legal Aid of San Diego

¹ <https://www.nclc.org/issues/pace-loans.html>.

A door-to-door salesman from Fidelity Home Energy solicited an elderly homeowner, whose primary language was Spanish and who had limited English proficiency. The homeowner was induced to purchase solar panels based on representations that she would receive a \$10,000 check from the IRS, her home value would increase, and her energy bills would be lowered. In order to lower her energy bills, which were around \$125 per month, the homeowner entered into an agreement for the installation of solar panels. To finance the solar panel purchase, the company offered her a PACE loan through the HERO program. None of the documents provided to the homeowner were in Spanish and loan disclosures were hidden deep in the contract. The HERO agreement included a Civil Code section 1542 release, thereby releasing the holder of all liability now and in the future. Each of the representations upon which the homeowner relied turned out to be false. The solar company representative told her that she would receive a \$10,000 check from the IRS; the homeowner was not eligible for this refundable tax credit because her income of only social security was too low to credit tax liability that could be offset by the credit. Second, she was told the value of her home would increase, but the priority lien has made it more difficult for potential buyers to obtain a loan to purchase the house. Third, her monthly energy bill of \$125 was replaced by a monthly tax bill of \$450.

Unable to pay the additional property tax, she has defaulted and is now facing foreclosure.

3. Reverse Mortgage and Four Unaffordable PACE Assessments

Terms: Four liens totaling more than \$17,000 in annual assessment. Total liens of approximately \$144,000.

PACE provider: Two Ygrene, one Renovate America, one unknown

Work: Solar Panels, “green” improvements to home; kitchen renovations

Date of Work: 2014, 2015, and two in 2016

Contact: Alysson Snow, Legal Aid of San Diego

An elderly gentleman (71 years old) with a reverse mortgage was repeatedly solicited in his home for home improvement repairs. Each time, he was offered PACE financing to cover a variety of home improvements, including solar panels, kitchen renovations, and "green" improvements on his home. For the 2014 and 2015 property assessments, his property taxes in 2016 increased from around \$310 annually to over \$5,476. In 2016, the reverse mortgage lender paid the tax assessment when the homeowner could not, the reverse mortgage lender initiated foreclosure proceedings and filed a notice of default was recorded. The homeowner exhausted all of his savings to come current. In 2017, his annual assessment is now over \$17,000 due to the two new liens in 2016. His annual income is around \$10,000 a year. On his fixed income, he will not be able to pay the additional the property tax and again faces foreclosure. The loans were made with knowledge of his inability to pay. Further, the transactions were wrought with fraud. For example, the written advertisement for the solar panels states, “The Government will pay 30% of your Solar.” The written advertisement expressly reads, “Investing in Solar WILL NOT RAISE your property taxes.” Both statements are false. Client had no understanding of how the PACE program worked he assumed it was a Government program that would pay for the improvements.

4. False Representations to 95-year Old Veteran and His Legal Blind and Deaf Wife

Terms: Lien around \$10,800

Homeowners entered into a second finance agreement for more than \$50,000 with a PACE provider, however, the work is incomplete and the lien has not been recorded to date. The contractor has sued the couple for more than \$50,000.

PACE provider: Renovate America (HERO)

Work: Roof repairs, windows, doors, patio,

HVAC Date of Work: July and August 2016

Contact: Alysson Snow, Legal Aid of San Diego

A married couple, the husband is a former 95-year-old Tuskegee airman and the wife is 87 years old and is legally blind and deaf, jointly own their home. A contractor came to their home, initially simply to repair the back porch door. While there, contractor began to upsell clients.

Contractor upsold clients to new windows, tear down and replacement of back patio enclosure, repair wood on roof, install a new, energy efficient brown roof, and arrange the installation of air conditioning and solar panels, all for a total price of \$42,800.00. Couple initially refused as they could not afford that amount. Contractor represented that a financing program, called HERO, was a special government program to help fund home improvement projects. Contractor explained that he could arrange 20-year financing at about six percent interest through HERO, which he represented verifies contractors, approves products, ensures fair market value pricing, and inspects work to ensure everything is exceptionally high quality.

The contractor made material false representations to induce the couple to agree to the additional, costly home improvements. This included lies about employing a veteran to work on the home, about what was included in the \$42,800 price tag, lies regarding the need for permits, and about the license status of the contractors and subcontractors.

The couple signed a document with handwritten terms that contractor stated covered the terms he had verbally presented to them. Contractor then took back the document and continued to move around clients' home while writing down additional notes that contractor claimed were measurements. Contractor demanded \$100 "to seal the deal." The \$100.00 down payment was disclosed on the face of the document, but later did not appear as a credit in any of the subsequent funding. Contractor subsequently isolated wife to have her sign additional work orders.

The work performed was poorly done. The couple complained to Renovate America. Renovate's inspector documented litany of issues. The couple also hired their own inspector who also documented all of the problems. Renovate did not provide a plan for what was going to be done to fix the home. Renovate sent its agent with the contractor to the couples' home. Renovate's agent and contractor frightened wife and she told them to leave and talk to her "lawyer." They did not leave. They stood in front of couple's home and called her and daughters. Renovate's agent left voicemail messages that this was the "final resort." The couple, scared and intimidated, then reported the issues to the Contractors State License Board and complained to the District Attorney's office for financial elder abuse.

Contractor filed lawsuit against the couple (while they knew veteran husband was in hospital for pneumonia) for more than \$50,000.

5. Bait-and-Switch for Spanish Speaking Family

Terms: Lien \$41,801.31; annual assessment

\$2,249.95 **PACE provider:** Ygrene

Work: Solar panels

Date of Work: August 2016

Contact: Alysson Snow, Legal Aid of San Diego

Home solicitor for contractor communicated with family in Spanish only. During the course of the presentation the family stated that they did not want a property tax assessment program to finance the solar panels. The contractor's agent stated they would arrange financing and repeatedly reassured them that the financing would not be a property assessment. The family had already rejected sales pitches from other contractors where financing through HERO.

The family agreed to enter into the agreement, but no translation was provided in Spanish. The family was not given a copy to review before signing and did not receive a copy after signing. The first time the family demanded a copy of the contract, the contractor provided advertisements and not the contract. The family eventually was able to get a copy of the contract, but did not know until then that this was a property assessment and financed by Ygrene.

The contractor's agent falsely represented the nature and terms of the financing. The home solicitation contract was defective. The notice of cancellation was non-compliant. The family cancelled the agreement pursuant to the home solicitation contract, but Ygrene and the contractor have not removed the lien and continue to seek property tax assessments.

6. No Income, No problem

Terms: Lien around \$56,700

PACE provider: n/a

Work: Solar; roof, including flashings, ridges, down spout, rain gutter, rain barrels (two); stucco, spray wash, cool wall paint; window trim; take out two air conditioners; replaster hole

Date of Work: October 2016

Contact: Alysson Snow, Legal Aid of San Diego

Homeowner was approached by two sales people from a contractor, Grenify, regarding home improvements. They told her the program was government funded and that she did not have to worry about any payments until November 2018, and told her it would be \$200 to \$300 a month starting in November 2018. This was false. Homeowner told them that she was unemployed and would be unable to pay for the loan. They told her not to worry as she would

get a “huge” tax credit to help her pay for the solar panels. However, she does not qualify for a tax credit because she had no tax liabilities. Her home was completely paid off. Now when the new assessments come due she will not be able to pay the high assessment and may lose her home. The work agreed upon has not been complete. City of El Cajon called her and told her Grenify was approved to put solar panels in, she didn't even know they were going to do solar panels, this was the first she heard of it. Further research needed to determine if financing was through PACE.

7. Dementia and Fixed Income Not a Barrier to a PACE Loan

Terms: \$45,195 loan, \$2,778 fees, 8.35% (9.30% APR), taxes \$5,471.03/year for 20 years
PACE provider: Renovate America
Work: Windows, cool coat stucco, rain gutters, patio covering
Date of Work: July 2015

According to a complaint filed in Los Angeles Superior Court, Ossie Hill, an 84-year old with dementia, agreed to pay over \$45,000 for home improvements, despite the fact that her only source of income is Social Security.

After a four-hour sales pitch, the (illegally) unregistered home improvement salesperson—who has a history of felony convictions—convinced this senior citizen to sign four documents, which he represented were estimates but which the contractor later took the position were binding contracts.

Ms. Hill purportedly agreed to PACE financing for 19 vinyl windows at \$805.00 each, stucco and wood exterior work for \$27,650.00, and a patio cover for \$2,250.00. The work was done shoddily, and her energy bills did not decrease, but her tax bill increased exponentially. The total repayment amount, including fees and interest, was \$109,000.

The PACE documents were signed electronically, and Ms. Hill did not receive a copy of the finance agreement until a relative intervened several weeks later. Ms. Hill could not afford the payments and faced the risk of foreclosure.

8. A Roof Without a Warranty and Useless “Cool” Wall - \$50,000

Terms: \$50,000,
\$6400/year. **PACE**
provider: n/a
Work: Roof, “cool wall”
Date of Work: n/a
Contact: Leigh E. Ferrin, Public Law Center (Santa Ana)

Two contractors going door-to-door told the client she had three leaks in her roof. She lived alone, had just undergone surgery, and was not feeling well. They told her a tax refund through a government program would cover most of the cost. They filled out the paperwork,

explained only that her taxes would go up \$200/month until she filed her taxes, and electronically signed her name. They said the roof had a 30 year warranty. But after the work was done, the contractor said the warranty didn't apply because her walls were damaged and didn't support the roof, which he showed by kicking a hole in the wall. He filled out a new contract for a "cool wall" for \$32,000 and said the increase would be no more than \$250/month for both the wall and roof, until she got her tax rebate. A month later, the client was notified that a finance company had denied a loan that she had not applied for. She later learned that her taxes increased by over \$500/month and that the permit valuation for the work was \$24,000 but she was charged more than \$50,000. The work was poorly done and caused damage. A contractor friend said her previous walls were better quality.

9. E-Signing for Homeowner with Dementia

Terms: Taxes \$337/month (\$4,044/year); estimated assessment \$40,000 **PACE provider:** Renovate America

Work: Solar power system

Date of Work: n/a

Contact: Carolyn Reilly, Elder Law & Advocacy (San Diego)

The homeowners purchased a solar power system that was financed through the HERO program. Their understanding was that it was supposed to cost \$170 a month. However, the subsequent mandatory payments were \$337 a month. The contractor set up the financing on a computer and electronically signed for the husband, who has dementia. According to the homeowners, the contractor should have been able to recognize her husband's condition and that he could not understand the e-contract.

10. PACE Loan Prevents Veteran Refinancing

Terms: n/a

PACE provider: Renovate America

Work: Energy upgrades (unspecified)

Date of Work: n/a

Contact: Carolyn Reilly, Elder Law & Advocacy (San Diego)

Elderly homeowner was convinced by HERO representatives to sign up for the HERO program for energy upgrades. However, he claims that he was never advised that he would not be able to refinance his home if he took part in the HERO program. Homeowner discovered that he would not be able to refinance his home when he attempted to get a loan through VA.

11. Bait (1.5% Financing) and Switch (26.99% Financing)

Terms: n/a

PACE provider: n/a

Work: Energy-efficient noise-reducing windows
Date of Work: n/a
Contact: Carolyn Reilly, Elder Law & Advocacy (San Diego)

Elderly homeowner received a phone call that explained he qualified for the HERO program. He was offered a deal for new energy-efficient windows that also reduced noise. There was to be 1.5% financing and no prepayment penalty. However, the windows installed were extremely low quality, provided poor insulation, and amplified noise. Homeowner discovered that the interest rate is 26.99% and a lien has been placed on his home. Although the homeowner was induced into the transaction by the offer of HERO financing, the loan was likely not funded through PACE because of the excessively high interest rate.

12. Glossing over the Details

Terms: n/a
PACE provider: Renovate America (HERO)
Work: Replacement windows
Date of Work: n/a
Contact: Carolyn Reilly, Elder Law & Advocacy (San Diego)

Elderly homeowner wanted to get his windows replaced and expressed interest in the HERO program. A HERO representative signed him up and indicated there would be a fairly low monthly fee, but did not convey that there was to be a tax lien on the house. The details of the agreement were glossed over by the HERO representative, with hidden costs and higher monthly payments embedded within the contract. The representative also requested an electronic signature from the homeowner, but did not inform them that the e-signature was going to bind him to a contract.

13. PACE Loan for a Sagging Roof

Terms: n/a
PACE provider: n/a
Work: Remodeling and fixing of roof
Date of Work: n/a
Contact: Carolyn Reilly, Elder Law & Advocacy (San Diego)

Elderly homeowners contracted to get extensive remodeling done with HERO financing. They hired a local remodeling company to do various projects, including fixing the roof. The company promised to completely tear down and rebuild the roof. However, when they finished, the homeowners found they did not actually replace the existing wood. The new roof sagged and created a hazard for the homeowners.

14. Vastly Overpriced Rewiring with an Electronic Signature

Terms: \$18,000, 8.25% for 20 years
PACE provider: Ygrene Energy Fund

Work: Rewiring 1100 square foot house
Date of Work: n/a
Contact: Carmen Hill, Harambee Housing Information Program

“An electronic signature for paperwork for a senior who is not computer literate is criminal--no time to read the documents. He didn't understand that he was putting a lien on his house for 20 years or that he was being charged 8.25% interest rate.... This homeowner came to me because he was considering selling his home.... I have talked to several electricians and was told that \$18,000 to install 200 amp service and correct wiring on a small, basic 1,100 square foot house was scandalous! The contractor was going to charge \$25,000 for a new roof. I talked to... Ygrene Energy Fund to no avail.”

15. Prepayment Penalty and Inability to Refinance

Lien: \$34,290; 8.250% over 20-year term
PACE provider: Ygrene Energy
Work: Roof replacement; New windows
Date of work: 2015
Source: Smith et al v. Ygrene Energy Fund, Inc. et al, No. 3:17-cv-01258 (N.D. Cal.)

Alejandro and Felicia Marcey allege in the court complaint that: “Plaintiffs entered into a financing agreement through Ygrene to replace the roof and windows on their home at a cost of \$34,289.97. However, pursuant to the terms of Plaintiffs’ loan agreement, which includes a 20- year term and interest rate of 8.250%, Plaintiffs will actually pay a total of \$71,154.83 for a new roof and windows.” When homeowners attempted to refinance their home they were told that they could not do so until they fulfilled the loan and paid a prepayment penalty, which they could not afford to do.

16. Equity Stripped from Senior Needed to Pay For Assisted Living

Liens: \$22,000 and \$49,000, APR over 9%
PACE providers: Renovate America and other PACE provider
Work: Solar panels, etc.
Date of work: Oct., 2016
Source: Senior’s daughter

NCLC was contacted by the daughter of an elderly woman who has now moved to assisted living. She has been diagnosed with cognitive impairment and dementia. In taking over her mother’s financial affairs, including the sale of her house, the daughter discovered that she had been taken advantage of financially. During the title search, the realtor uncovered two property tax liens, one under HERO (\$22K) and another PACE lien (\$49K) by a different PACE provider. The \$22K HERO assessment was apparent in the property tax records and also in her mother’s receipts and papers, but nothing could be found on the \$49K PACE financing. Because the PACE payments don’t start until following year, the \$49K assessment was not listed in the property tax records and was not discovered until the title/escrow process. The buyer was willing to assume the smaller HERO assessment, but not the larger

\$49K PACE assessment.

They were forced to pay off the \$49K out of the sale proceeds -- money that was to pay for nearly a year of her mother's care in the assisted living facility.

The daughter has been unable to get any receipts or financing paperwork from the solar panel installer. They never completed the interconnect agreement with the Department of Water and Power, so the solar panels aren't even working. The daughter has also questioned why her mother qualified to borrow the money, as she clearly could not afford the payments on her Social Security income. In addition to the solar panels, the daughter believes there was other work done that was "upsold." The daughter stated: "This is such a bad deal, all the way around. I'm sure my mother didn't understand what she was getting herself into"

17. High APRs, Prepayment Penalties, and Interest Due after Payoff

Loya, et al, v. Western Riverside Council of Gov'ts, No. 5:16-cv-02478 (C.D. Cal.)

- a. George and Judith Loya; Moreno Valley, CA
Lien: \$16,359.95; 8.25% note, 10.8% APR; prepayment penalty
PACE provider: Renovate America
Work: Window replacements
Problem: Overcharging interest, admin fees, prepayment penalty.
Date of work: 2014

Required to pay interest past the date of loan payoff, excessive costs (paid 30% more than project costs for two years in HERO program); failure to timely credit payments; energy savings virtually non-existent.

- b. Beth Simpson; San Diego, CA
Lien: \$33,249.41; 8.35% note, 9.3% APR; prepayment penalty
PACE provider: Renovate America
Work: Solar?
Problem: Overcharging interest, admin fees
Date of work: 2016

Richardson, et al. v. County of Los Angeles, et al., No. 2:16-cv-08943 (C.D. Cal.)

- c. Michael Richardson; Compton, CA
Lien: \$48,777.71; 8.35% note, 10.8% APR;
PACE provider: Renovate America
Work: Roof, windows, stucco
Problem: Overcharging interest, admin fees, failure to credit payments
Date of work: Fall 2015

Ramos, et al v. San Bernadino Assoc. Gov'ts, et al., No. 5:16-cv-02491 (C.D. Cal.)

- d. Richard Ramos; Highland, CA
Lien: \$22,798.12; 9.25% note, 10.59% APR; prepayment penalty
PACE provider: Renovate America
Work: Roof, windows, stucco
Problem: Overcharging interest, admin fees, failure to credit payments
Date of work: 2014

In re Nwibe, 16-42643 (Bank. N.D. Cal.) Objection to Plan Confirmation by WRCOG

- e. Mercy Nwibe; Tracy, CA
Lien 1: \$18,800.67; 8.75% note, 10.63% APR; e-signed PACE provider: Renovate America
Work: HVAC
Date of work: December 2014
Lien 2: ~\$18,000; 8.95% note; 20 yrs; e-signed
PACE provider: Renovate America
Work: Windows, Doors, Skylights
Date of work: January 2015

Note same application date for both contracts; two different contractors

In re Lucero, 6:17-10205 (Bank. C.D. Cal.) Objection to Plan Confirmation by WRCOG

- f. Ray and Cynthia Lucero; Nuevo, CA
Lien: \$48,777.71; 8.95% note, 10.55% APR;
PACE provider: Renovate America
Work: Solar
Date of work: 2014

18. The Myth of Net Energy Cost Savings #1

Lien: \$22,638.18 with an APR of 9.42 percent over 20 years.
PACE provider: Renovate America
Work: Solar Panels
Date of work: 2015
Source: Bakersfieldnow.com

Elderly woman contacted multiple times from companies asking if she would be interested in solar panels. After being transferred to a supervisor, she was convinced to proceed with the installation with the impression that it would save her in the long run by reducing the cost of her electricity bills. However, after installing the solar panels, their monthly property tax had gone from \$138 per month to \$333 per month. In addition to that, the homeowner said she ended up paying a "true-up" bill to Pacific Gas and Electric Co. amounting to about \$700 over the course of 2016. After the death of her husband and \$22,000 lien on her home, she could no longer afford to stay in the first home she had ever owned and is now living with her son in Porterville while her home is on the market.

19. The Myth of Net Energy Cost Savings #2

Lien: \$54,000
PACE provider: Renovate
America Work: Solar Panels
Date of work: 2016

Homeowner was laid off in 2015 and was looking to cut energy costs and add value to home. Renovate America's HERO Program offered the homeowner, who was unemployed, a \$54,000 loan. It wasn't until after the solar panels were installed that he became aware that the loan was a tax assessment and generated a lien on the house. The homeowner is now attempting to short-sale his house, the mortgage is underwater, and "the money he saved by installing solar hasn't come close to covering his annual loan payments."

20. The Fake Free Government Program

Lien: \$14,000, 9.51% APR, \$40,000 total over 30 years
PACE provider: Renovate America
Work: Windows
Date of work: 2012
Source: Biggerpockets.com

Homeowner was not told about the tax lien. The contractor, Windor of Anaheim, said the windows were done for free through a government program and taxes would increase only due to the increased value of the home. Contractor was paid and the lien recorded even though there was an incomplete building permit and the work was never completed. The homeowner moved out of state and discovered the lien later when selling the property.

21. False Promises and No Net Energy Cost Savings

Lien: \$37,000, 6.5%, \$5000/year for 20 years
PACE provider: Ygrene Energy Fund
Work: Solar panels
Date of work: n/a
Source: CBS Los Angeles

A salesman told the Masons, who were nearing retirement, that solar panels would cut their utility bills in half and installation would be covered by government rebates, which they did not receive. They weren't told about the property tax assessment. "The Masons say their effort to go green has now derailed their retirement plans if it means they can't sell their home."

22. Free Money

Lien: No PACE loan taken
PACE provider: n/a
Work: Roof.

Date of work: n/a

Source: Comstock's Business Insight

The 'no money down' component of the program encourages contractors to overprice their bids. A contractor who recently approached Erin Strumpf and her husband to discuss a PACE loan for a new roof on their own house described the program as 'free money.' His bid came in at \$20,000, almost double what they ended up paying through a non-PACE contractor.

23. Upselling to Maximum PACE Loan Amount

Lien: \$23,000

PACE provider: n/a

Work: Landscaping front & back yards

Problem: Contractor tried to upsell based on size of PACE loan

Date of work: 2014

Source: Comstock's Business Insight

Benjamin Triffo, Elk Grove, CA, says his PACE contractor tried to upsell him, initially bidding \$60,000 to do the job plus replace his driveway. Triffo told the contractor he didn't need a driveway, and it took several rounds of negotiation to get down to the \$23,000 to which Triffo committed. Triffo says it was 'a little weird' to have the contractor know what size PACE loan he'd qualified for, which he thinks created an incentive for the contractor to bid high.

24. Surprise PACE Lien and Prepayment Penalty

Lien: \$14,774

PACE provider: Renovate America

Work: A/C, tankless water heater, replacement ductwork

Date of work: n/a

Source: Sacramento Bee

When Patti Smith, 62, and living in a senior community, sought a refinance, she had to pay off a \$14,774 HERO loan. "I was flabbergasted when our mortgage company told us we had a lien," said Smith, 62. "The contractor who pushed the HERO program never mentioned the word 'lien.' If he would have we would have never done it." Smith said she also had to pay a penalty of \$1,734.14 to HERO for paying off the loan early.

25. Cost of PACE Lien Far Outstrips Savings

Lien: \$33,000

PACE provider: n/a

Work: Solar panels

Date of work: n/a

Source: Sacramento Bee

Door to door salesmen told Faye Moore, 75, solar panels would save money on her energy bill. The thousands she owes for annual property taxes "far outstrips those savings." "I think I've been had," Moore said.

Stories 26-28 are self-reported by consumers and posted on the Yelp website used for reviews of businesses. NCLC does not have the capacity to verify the details of these stories.

26. Botched Job for \$20k

Lien: \$20,000
PACE provider: n/a
Work: Windows and doors
Date of work: 2015
Source: Yelp

Katherine C., explains that she took a loan from the HERO program to have new windows and doors installed by PCHS in Anaheim. "It has been over a year since PCHS has walked away from a botched job and I have a \$20k bill added to my taxes. Hero has not been much help at all. Sadly."

27. Little Help from PACE Program for Contractor Scam

Lien: n/a
PACE provider: Renovate
America Work: Windows
Date of work: Problem reported 6/3/2016
Source: Yelp

"Upon inspection of the sticker attached to the windows however it became evident that the product installed was not EnergyStar zoned for California," says Shannon C. "I notified HERO [Renovate America] and Landmark and sent photos. Landmark vigorously argued over the telephone that the windows were approved despite evidence to the contrary.... Eventually they secured an email from Ply Gem the window manufacturer which claimed the installed windows were retroactively California compliant despite the sticker. I didn't believe this, and contacted the Department of Energy explaining my concern. They confirmed my suspicions that the windows were NOT approved for the EnergyStar program in California...."

"Over time it became apparent that HERO, having secured my signature, were washing their hands of any problems relating to this project and responses to emails and phone calls ceased. I was forced, with much expenditure of time, effort and multiple phone calls to pursue replacement of the windows through Ply Gem, Eventually they agreed to send their own crew out to install California Energy Star compliant windows."

28. Big Mortgage Escrow Increase; Little Energy Savings

Lien: \$35,000, 9%, \$365/month (later \$923)

PACE provider: Renovate America

Work: A/C, windows

Date of work: 2014

Source: Yelp

Jeff H. said: “Biggest scam next to insurance companies! Sales agents are very misinformative ...Overpriced cheap run of the mill products! ... It took 2 years to be put on and caused my escrow account to become negative, which in turn caused my mortgage payment to increase by \$923 a month not the \$356 that was calculated! There was also no mention that 9% interest rate! The new HVAC system has not made a difference in my bills nor have the energy saving windows! Secondly my big tax kickbacks totaled a whopping 500\$ deduction when we filed our taxes! A few things were not completed on the project I've been trying for 2 years to have completed”

29. Contractor Fraud, Forged Signature on Application

Date the Assessment Contract was Signed: 1/12/2016

State: CA

Program Administrator: Renovate/HERO

Contact: Stephanie Carroll, Public Counsel

74-year-old Latina widow was preyed upon by unscrupulous contractors who made many material misrepresentations to the client and then forged her signatures on the electronic PACE application (contractor created a dummy email address as part of this process). Client received no financing paperwork. Consumer did not learn of \$76K assessment until she received her property tax bill and requested documentation directly from HERO.

30. No Energy Savings, Greater Cost than Advertised, Shoddy Work

Date the Assessment Contract was Signed: 3/16/2016

State: CA

Program Administrator: Ygrene; Western Riverside Council of Governments

Contact: Stacey Tutt, UC Irvine

Ms. B's PACE Experience

Ms. B is 84 years old and has lived in her Santa Ana home for 61 years. She has a reverse mortgage on her home and her only source of income is Social Security. In March of 2016, men came to her home from All-American Design, Inc, telling her that she needed a new roof. The men were there for 3 to 4 hours. During that time, they also advertised to her a special paint that would help insulate her home. They convinced her to use this paint by telling her that the materials used in this paint were used to insulate space stations. After looking at her energy bill, they promised that this paint would reduce her energy bill by 30-40%.

During this visit, the men called Ygrene Energy Fund on the phone to get approval for the financing. Within fifteen minutes, Ms. B was approved. It is unclear what Ygrene used to approve her, however. At one point the men from All-American Design took a picture of her reverse mortgage statement and inquired about her income. At this time, Ms. B did not sign anything in relation to Ygrene.

The only documentation that Ms. B initially received was the home improvement contract from All American Design, Inc. This contract indicates that the cost for her roof was \$22,992, and the paint was \$14,666. The contract lists that the total price would be 36,992.00 (even though the two original numbers add up to \$37,658). In the contract, it lists Ygrene as the means of payment and includes an account number (presumably Ms. B's Ygrene account number). Nevertheless, the only document in the contract that Ms. B signed is an addendum which lists Ygrene again, but also states that there will be monthly payments of \$159.69. Nothing in these documents indicate interest rates, length of contract, PACE, or anything that would lead her to believe that she would be paying this through her property tax. Ms. B did not seem to understand much of the contract, or what Ygrene was, only simply that she would make monthly payments.

All American Design did a terrible job. They spilled paint all over the driveway and on the side of the home. After the job, workers came to clean the paint off the driveway, but rather than cleaning with a pressure washer, as they said they would, they scrubbed with wire brushes and scratched the driveway. During the painting, one of the workers followed Ms. B into her home and tried soliciting her for more work on the side. In replacing the roof shingles, they removed the metal ventilation fans on top of the roof. Despite Ms. B's protest, they did not replace the fans or return them to her, but they ended up keeping them. Another addendum to the contract indicates that All American tried to charge Ms. B over \$1,000 more for some plywood. However, Ms. B's daughter noticed this and contested this amount. After this, All American Design decided to cancel that extra charge, saying that they will rewrite the addendum, but they never did. After the roofing was completed, Ms. B's daughter noticed that some of the wood under the roof was cracked and could not believe that they put a new roof on that old wood. At one point while the workers were there, they sat on and broke a glass table in Ms. B's yard. Ms. B and her daughter complained to All American Design about the work and the owner of the company came out to take a look. He arranged for cleaning up some of the messy work, and replaced the piece of broken glass, but it was the wrong type of glass for the table.

Due to the poor and unprofessional work, Ms. B refused to sign any documents besides the addendum which stated it would cost \$159.69 a month. She only signed this because she was told that his men would not get paid if she did not sign. Ms. B never heard from All American Design again, and their license was revoked in August 2017 due to numerous complaints.

These improvements have not provided any energy efficient benefit for Ms. B. Since these improvements, Ms. B's energy costs have not been reduced. Actually, her house is now stuffy without the ventilation fans on the roof. Even if this work was done adequately and Ms. B was aware of the PACE financing, the improvements still have not served the purpose of PACE because they have increased the energy efficiency of Ms. B's home.

Ms. B never received a monthly bill. She did not receive any documents from Ygrene until August and October of 2017, over a year after the work was done. Ygrene sent her two notices informing her that because she received PACE improvements between July 2016 and June 2017, she would see a PACE assessment on her property tax. Not only was this incorrect because she received these improvements in March 2016, but this was also the first time that she ever heard anything about PACE or that she would be paying through an assessment on her property tax.

Once she received her 2017-18 property tax, there was an assessment of \$4,761 under “Clean Energy.” This was not only far more than the \$159.69 per month that she expected to pay, but since she has a reverse mortgage she risks foreclosure on her home if she is not current on her property taxes. Currently, she has been paying for this with her credit card. On Ygrene’s website the only way to retrieve information for homeowner’s regarding their PACE assessment is to log in with an email address. Ms. B did not have an email address at the time of the improvements and the website does not allow a homeowner to register an account. With assistance from the Consumer Law Clinic at UCI Law, Ms. B called Ygrene’s customer service department. When inquiring about registering an account, she discovered that they had an email on file for her, but it was not an email address she had ever heard of and Ms. B did not have an email address at the time of the improvements. She was then informed that she could not register or correct the email address because the account was closed. Ygrene offered to mail a copy of the documents to her address which Ms. B is still waiting to receive.

31. Sold as a Free Program, Home Owner in Poor Health, Escrow Problems

Date the Assessment Contract was Signed: 8/26/2016

Program Administrator: Renovate America

State: CA

Contact: Kara Acevado, East Bay Community Law Center

Ms. J, a low-income worker making about \$1.10 an hour when she moved into her home in 1975, has remained low income and currently receives a fixed income of \$903 from Social Security. Ms. J is over 65 and suffers from a variety of health challenges including asthma, COPD lung disease, and uses an oxygen tank to help her breathe,

Her previous loan applications for repairs and home improvements had been denied.

Solicitors came by Ms. J’ home in 2016 claiming to be representatives of a construction firm—though the primary solicitor, Mr. Dror, was not licensed as a home improvement salesperson or a contractor at the time.

Ms. J and her family were told that a bathroom project that would normally cost \$10,000 would be practically free under an Obama program and paid for in affordable monthly payments. Ms. J’ son told the solicitors not to come back on their own and that Ms. J would call them if she was interested.

Though Ms. J did not call the solicitors back, Mr. Dror returned to the house when Ms. J's son was not present and told her she was approved for the Obama program and that payments would not be over \$100 a month.

Employee's of the construction firm spoke to the program administrator, Renovate America, several times, had Ms. J give information to Renovate on the phone while they stood by, and a Renovate representative registered Ms. J' electronic signature and contract with an email address owned by Renovate: non@herofinancing.com. Ms. J did not have access to this account and Renovate must have known would not receive electronic copies of her contract.

This same day, Mr. Dror asked Ms. J to tap his cellular phone a number of times using a stylus on the small screen. Mr. Dror claimed he was late and rushed her to click through a number of boxes. Ms. J did not understand what the pages were and did not receive a copy of any of the pages.

This process took hours and Ms. J who often becomes confused and overwhelmed after staying upright for periods of time was exhausted.

Work began almost immediately, and four days after the first call with renovate, Mr. Dror returned and had her speak to a specific representative from Renovate on the phone who asked if the work was done and if she was satisfied. Mr. Dror ordered her to say the work was done and she liked it even though it wasn't. Ms. J, frightened and feeling reliant on Mr. Dror who controlled access to the free funds, agreed even though it made her uncomfortable.

At some point Mr. Dror asked her if she would like work done on the kitchen and all she ever received was a handwritten note labeled HERO kitchen with no pricing or terms.

The primary person working on the home over what turned into months of work was not a licensed contractor. At one point the plumbing in the bathroom did not work for a week forcing Ms. J to use a portable toilet bucket in her bedroom.

When the workers finished there were debris and the back of the house had lost water pressure. When Ms. J called Mr. Dror to complain about the new faucet dripping he told her he was not a plumber and to call someone else and that the issue was not his problem.

There were many problems resulting from the work done including, a large water leak beneath the house which likely developed because of the toilet or sink installed; a dishwasher to be installed came unwrapped and damaged, was not fastened to the counter and never operated; and a sliding shower door came off the track and into the tub. An inspection by the California State Licensing Board later found that the work did not meet accepted trade standards for good workman-like construction.

The next time Ms. J Called Mr. Dror he hung up on her. Ms. J never executed a Completion Certificate, though Renovate maintains that she did.

Two lines were recorded with the total schedule of assessments including principal, interest and administrative fees totaling over \$122,111.

In the Fall of 2017 Ms. J was shocked to find a special assessment by CA HERO Program of \$6080.58 that would continue every year for 20 years.

Ms. J sought free legal advice from East Bay Community Law Center (EBLC) in October 2017, but the process, from getting copies of documents to speaking with compliance, seemed to drag on. When an EBLC intern spoke with Renovate's Assistant General Counsel in February 2018, they stated that it was Ms. J's responsibility to read the contract and renovate had no responsibility. He claimed she received a call from renovate where she was told all terms and how much she should put aside each month, but Ms. J denies she was ever explicitly told she would have to pay \$6,000 a year.

Starting in April 2018, Ms. J's required mortgage payment to her servicer Wells Fargo increased from about \$667 a month to over \$1,600 a month. Wells Fargo stated that this was due to the fact that as a term of her mortgage, Ms. J's property tax must be collected throughout the year in an escrow account managed by Wells Fargo. When there were insufficient funds in her escrow account to cover her 2017 assessment, Wells Fargo stated that they fronted the \$5,000 to pay the assessment and increased her monthly payment account to pay this sum off. They also adjusted her payment to ensure that her escrow account will contain enough to cover her 2018 property tax assessment. Ms. J has been unable to keep up with her adjusted mortgage payments, exposing her to the initiation of foreclosure proceedings.

Her account has been passed to the default department and she endures collections pressure and a reminder of foreclosure every time she calls to arrange a partial payment. Her existing health conditions have been greatly exacerbated.

Frustrated at Renovate's total lack of interest in helping her address her issues, Ms. J and an intern from EBCLC reached out to the office of her California State Senator Nancy Skinner. Despite repeatedly checking in, Ms. Henneman and Senator Skinner's office did not receive a response from Renovate until September 28, 2018.

Ms. J has not yet received her property tax assessment for 2018 but will again be unable to pay the full amount and does not have sufficient funds in her Wells Fargo escrow account.

Ms. J has suffered great emotional and physical distress as a result of this matter. Every single month she is unable to make her full outstanding mortgage payment and she is reminded of the seriousness of the matter as her home of over 43 years is on the line.

32. Contractor Misrepresentation mortgage payment shot up nearly \$500 a month, from \$706 to \$1,199, Increased Energy Costs

Date the Assessment Contract was Signed: 9/22/2016

State: CA

Program Administrator: HERO and Renovate America, Western Regional Council of Governments

Contact: Kara Acevedo, East Bay Community Law Center

In late May of 2016, someone appearing to be a home improvement salesman, and who wore a green shirt emblazoned with the company name Syntrol, came to Mr. P's modest home at 2160 W. Rose Avenue in Stockton, California. The salesman, who spoke fluent Spanish, convinced Mr. P and his wife to purchase a central air conditioning system from Syntrol; he did not provide a business card. Mr. P and his wife are both Spanish speakers, and do not speak English. The salesman explained that a government program would fund the project, which would also benefit the environment. He said that the project would require a \$2,500 down payment the first year, and that starting in the second year payments for the project would amount to \$100 a month after tax rebates and energy savings. Based on the first salesman's representations, Mr. P agreed to contract with Syntrol for the air conditioning project. However, the Spanish-speaking salesman did not complete the contract during that meeting, although he had explained all of the terms that Mr. P understood would control the transaction. Instead, the first salesman told Mr. P that a second salesman would come to the house to finalize the project.

A few days later, in mid-May, a second salesman, Taylor Wallace, came to Mr. P's house. Mr. Wallace was not registered as a Syntrol home improvement salesperson. Mr. Wallace spoke primarily in English. What Mr. P, who does not speak English, understood was that Mr. Wallace was reiterating all the terms that the first salesman had explained: Mr. P would pay a \$2,500 down payment in the first year, and payments thereafter that would amount to \$100 per month because a tax rebate and energy savings would offset the higher dollar amount required in each payment. Mr. Wallace claimed that Mr. P would qualify for \$16,000 in financing, but that the project would cost less than \$16,000, though he did not give a specific figure. Mr. Wallace used some Spanish terms to encourage Mr. P's consent to the contract, including "dinero," "mucho dinero," "muy bueno," "bonita casa," and "bonito trato."

During this meeting, Mr. Wallace made a phone call and handed the phone to Mr. P. The woman on the phone, who spoke in English, asked Mr. P his name: he said his name was Adolfo P Espinoza. She also asked if he was the owner of the house, and he said that he was. Also during the meeting, Mr. Wallace gave Mr. P an electronic tablet and asked him to enter his initials onto the screen several times. He never asked Mr. P to enter his name: only his initials. Mr. P did not receive a copy of any documents that might be associated with this possible electronic signature, or with the information he released over the phone.

Mr. P signed, on paper, a purchase agreement with Syntrol, dated May 14, 2016. The purchase agreement specifies that the contract amount, \$18,749, will be paid with HERO financing, with payments of \$220 per month for 15 years. The purchase agreement is the only document Mr. P received from Syntrol, and the only one he signed. Mr. P's signature appears as consistent with San Joaquin County property records.

Mr. Wallace gave Mr. P a one-sided paper copy of a one-page Syntrol purchase agreement. The purchase agreement refers to information on the back and indicates that the form includes

multiple copies, in different colors, with the pink copy going to the customer. However, Mr. P's copy was not pink; it was white, on standard letter-sized paper, and had nothing on the back.

The purchase agreement included, in English, notification of a right to cancel in very small type—smaller than the surrounding type—below the space for customers' signatures. Mr. Wallace did not explain orally that Mr. P had the right to cancel. In small type above the space for the client signature, the purchase agreement reads, "I Hereby acknowledge that I am familiar with the contents of this agreement, both front and back." However, Mr. P was not provided with a copy that had anything on the back. The written agreement gives a contract price of \$18,749, not less than \$16,000, as Mr. Wallace had promised. The purchase agreement indicates that the work would be completed in early June, less than a month from the signing of the purchase agreement.

Syntrol promptly started the air conditioning work, and completed it in early June 2016, consistent with the timeframe specified on the purchase agreement. A Syntrol invoice for \$18,749, for "HVAC PER CONTRACT," is dated June 6, 2016. The Syntrol crew failed to replace smoke detectors they had removed or patch some ceiling holes they made, and Mr. P's calls to Syntrol requesting that this be remedied had no effect: the crew did not return. The air conditioning works, but Mr. P's energy bills have gone up about 30%.

During the contract signing meeting, Mr. Wallace promised that a letter would arrive explaining how Mr. P was to pay for the project. No such letter arrived. Instead, Mr. P received a letter from Syntrol, dated August 29, 2016, demanding payment of the full contract amount. "Is there some reason you have not paid your bill of \$18,749.00?" asked the letter. Mr. P, who had not received a bill before this one, was worried. He did not believe that he owed the entire balance of \$18,749. He believed he owed the down payment of \$2,500, for which he had set aside funds, but had not been told how to pay this bill. He contacted the Syntrol office several times by phone explaining that he could not pay the full amount and asking what steps he should follow to pay the \$2,500. A woman at the Syntrol office reiterated the general explanation about \$2,500 being due in the first year, with payments in years after, but would not explain how to pay the \$2,500.

Mr. Wallace, still not registered as a Syntrol home improvement salesperson, came to the house a second time in September 2016. Mr. Wallace asked Mr. P to sign a completion certificate. Mr. Wallace reviewed the work, inspecting the house for the first time. Mr. P was still concerned about the ceiling holes and missing smoke detectors, and about the old heating system, which Syntrol workers had left on the premises. He pointed out these problems to Mr. Wallace, who promised that someone would return to address these concerns. Again, Mr. Wallace asked Mr. P to enter his initials into a tablet; he estimates he did so four or five times. Again, Mr. Wallace did not ask Mr. P to enter his full name. Mr. P received no paper copies of any documents signed during this transaction. No one returned to fix the remaining problems.

In the fall of 2017, Mr. P was shocked when his mortgage payment shot up nearly \$500 a month, from \$706 to \$1,199. This was particularly concerning because Mr. P is the sole breadwinner: his wife was injured in a work accident in 2016 and is permanently disabled. Mr. P cannot afford the increased payments. Mr. P contacted the bank for an explanation. The bank told him to contact HERO, an entity that Mr. P had never heard of before.

Mr. P called HERO and spoke to a Spanish-speaking staff person who became hostile and reported she could do nothing to change the payments. Mr. P asked her to send him copies of all documents she had related to the transaction, as well as documentation that they had talked and that he had objected to the payments because he had not agreed to them.

In an envelope postmarked June 25, 2018, Mr. P received, for the first time, documents associated with his HERO loan. (He received no documentation of his phone call with the HERO staff person.) The documents he received tell a confusing story. Syntrol completed air conditioning work at Mr. P's house in June of 2016, and Syntrol sent a collections letter in August. However, the HERO documents are all purportedly signed in late September 2016:

- 9/22/16, HERO Financing Summary
- 9/22/16, HERO Financing Program Right to Cancel
- 9/23/16, MOU with Western Riverside Council of Governments (Mr. P's signature is dated 9/22/16)
- 9/23/16, California HERO Program ASSESSMENT CONTRACT (Mr. P's signature is dated 9/22/16)
- 9/26/16, HERO Financing Program Completion Certificate (Syntrol agent Todd Fulton's e-signature is dated 9/26/16; Mr. P's e-signature is dated 9/28/16)
- 10/28/16, Final Payment Summary

All of the documents HERO sent to Mr. P give his name as Adolfo P-Espinoza, which is not Mr. P's name.

Mr. P had not seen these documents before. He had not received them by email—indeed, he does not have an email account. His wife, Carmen H., has an email account. In September 2018, an advocate asked Ms. H. whether she had received any email from HERO; she said she had not. The advocate asked her to search her email account for correspondence from HERO, and she reported finding no HERO correspondence at all. The advocate then suggested that Ms. Hernandez search her spam folder. Until she heard this suggestions, Ms. Hernández did not know she had a spam folder. A search of her spam folder yielded four previously unseen emails from “HERO Program,” addressed to Adolfo P-Espinoza, and all with the subject line “Please Review & Sign Your Documents”:

- 8/2/16: directs Mr. P to sign the Finance Summary, HERO Application, Assessment Contract, Right to Cancel, and Memorandum Agreement.
- 8/9/16: identical to the email of 8/2/16
- 9/22/16: identical to the email of 8/2/16
- 9/26/16: requests that Mr. P sign a completion certificate

Neither Mr. P, their intended recipient, nor Ms. H., to whose email address they were directed, saw these emails until September of 2018. Their existence demonstrates that Mr. P had not signed any of the loan agreement documents by the time the work was initiated, or, indeed, by the time it was completed. The emails also show that Mr. P was not in electronic communication with Syntrol or HERO. Ms. H. found no emails including completed contracts with Mr. P alleged electronic signature.

Renovate America had ample notice that this transaction was fishy. The Syntrol purchase agreement, which includes the notation “Install date Mon. June 6th-10th,” shows that Syntrol completed the work at least three months before any financing documents were “signed,” in violation of California law. Even without the Purchase Agreement, the HERO documents by themselves establish an impossible timeline: the assessment contract was purportedly signed on September 23, and the completion certificate was signed only three days later, on September 26. This timeline alone is improbable enough to put Renovate America on notice that something was amiss.

Renovate America also knew that Syntrol was a disreputable contractor. Syntrol has been sued repeatedly by its customers. The California State License Board (CSLB) had cited Syntrol for legal violations five times before Renovate America approved the application submitted by Syntrol for Mr. P. In early 2016, Syntrol was cited for employing an unregistered salesperson. In 2014 and 2015, Syntrol employed unregistered home improvement salespeople who entered three customers into contracts with Syntrol. In 2014, Syntrol began work on one project before financing was obtained and on another before it had pulled a permit. In 2014, Syntrol failed to notify a customer of the right to cancel. In 2013, 2012, and 2000, Syntrol was cited for other violations; a payment from its bond was issued for the 2000 violation. The CSLB revoked Syntrol’s license entirely in the spring of 2018, including for predatory misrepresentations made to customers in 2014 and 2015. One victim was an 87-year-old woman with macular degeneration who signed a written agreement for a \$10,793 HVAC system under the misapprehension that she was simply signing forms that documented information about her house and her eligibility for deductions and rebates. Aggravating factors leading to the license revocation were Syntrol’s long history of violations, starting in 1999 and including a prior license revocation.

33. Property Taxes More than Doubled, Credit Ruined, Fell Behind on Mortgage Payments

Date the Assessment Contract was Signed: 12/1/2016
Program Administrator: Renew Financial
Contact: Nisha Kashyap, Public Counsel

The client (“SGC”) received PACE financing through Renew Financial. SGC prequalified for a loan with Renew Financial by submitting her information to Renew’s website and was approved the same day online. She then found a contractor, Treeium, Inc., on a list on the Renew website and contacted them.

On November 6, 2016, two individuals from Treeium, Inc. came out to SGC’s home. She signed a home improvement contract with them that same day for a cool roof and solar panels. That same day, the two individuals also had SGC sign something electronically on a computer.

The contractors never explained to SGC how the home improvements would be financed. They told her that she would get a rebate and tax credit, but never discussed property taxes. They did a side by side comparison to show how much she would save on her current electricity costs. Once

the work started and the roof was demolished, she was told that she also needed a radiant barrier and new gutters. This added \$8,500 another to the project, bringing it to a total of \$80,000.

In the process of replacing the roof, the contractors trashed SGC's attic. She was forced to hire an insulation company to come in and remove all her existing insulation and thoroughly clean the attic, removing huge amounts of roof debris and then installing new clean insulation. She disputed this cost with Treeium, and after considerable arguments, they partially paid for the repairs. But the entire garage and much of the house was filled with dust, and the contractor made no effort to hang plastic or protect the interior or garage. By contrast, the insulation company SGC hired carefully attached plastic barriers over every part of the garage and then cleaned up afterwards.

SGC knew that the work would be financed through her property taxes through the Renew Financial website, but she did not know the total amount of financing. Prior to the PACE lien, her property taxes were \$8,000. However, they are now \$17,000 annually.

The solar panels were installed, but SGC had to file a complaint with the state licensing board to have the panels installed correctly. The contractor had incorrectly calculated the property electricity usage and provided panels which were drastically under the total wattage needed. After SCG filed the state licensing complaint, the contractor correctly calculated the electricity usage, installed the correct number of solar panels (an additional 10 panels), and made corresponding upgrades to the solar panel system.

As a result of the additional PACE assessment, SGC fell behind on her mortgage payments, which include her property taxes. She cannot refinance her home. After falling behind too far and almost going into foreclosure twice, she signed up for a private debt settlement program. As part of this program, she pays only her mortgage (including the PACE assessment) and has defaulted on her other debt obligations because she cannot afford to pay them. This has ruined her credit. Her experience with PACE has caused her tremendous financial hardship and stress, and has affected her health.

34. Tax Assessment More than Quadruples, In Jeopardy of Losing Home

Date the Assessment Contract was Signed: 3/23/2017

Program Administrator: Renew Financial

Contact: Stephanie Carroll, Public Counsel. Nisha Kashyap, Public Counsel

Client is an elderly, disabled L.A. County resident and lives on a fixed income, including SSDI, of just over \$2k per month. Contractor pressured him signing multiple home improvement and financing contracts for two separate housing units without disclosing the true nature and terms of the financing agreements. They led Client to believe that he was entering into a government program that forgave the debt after a certain period of time. Instead, they financed the home improvements through the PACE Program and private loans. They signed the client up for \$130,000 in loans, even though they knew he could not afford to pay (he told them repeatedly). His tax assessment has jumped from a little over \$2.5k to \$10.7k. He is in jeopardy of losing his

home because he cannot afford to pay the PACE tax assessments due towards the end of the year.

35. Elderly Homeowner on Fixed Income Ends up with Tax Assessments Far in Excess of Income

Date the Assessment Contract was Signed: 6/15/2017

Program Administrator: Renovate/HERO

Contact: Nisha Kashyap, Public Counsel

Individual (now deceased) was an elderly woman on a fixed income earning only \$1,490 per month through social security and retirement pension. Her 2017 tax bill already included a HERO tax assessment for \$1,400. Then, in June 2017, contractors came after her again, this time getting her to sign up for at least \$80k of home improvements which added another \$4.5k per year onto her tax bill. Prior to PACE financing her property tax was \$1.5k per year; after it went up to \$7.5k. Client clearly could not have paid this amount on her low fixed income.

36. Reverse Mortgage, Low income, High Assessment, No Ability to Pay Analysis done

Date the Assessment Contract was Signed: 5/2/2018

State: CA

Program Administrator: Energy Efficient Equity

Contact: Nisha Kashyap, Public Counsel

P is a 76-year old who resides in the City of Los Angeles. P has an annual income of approximately \$25,000 derived from Social Security payments and a reverse mortgage on her home. P was contacted by a contractor via a cold-call and signed home improvement contracts for approximately \$55,000 in property improvements. The financing increased P's annual assessment payment to \$5,050, for a total cost over twenty years of approximately \$101,000. Although P signed the assessment contract after CA's ability to pay legislation went into effect, no ability to pay analysis was done. The only information the PACE administrator sought was a copy of P's most recent reverse mortgage statement, which she provided. P is unsure about her ability to pay her tax assessment.

LIST OF EXHIBITS

- Exhibit 1: Sample HERO Financing Program Application
- Exhibit 2: California HERO Program Assessment Contract (Residential)
- Exhibit 3: Notice of Assessment: Western Riverside Council of Governments Limited Obligation Improvement Bonds (WRCOG): Energy Efficiency and Water Conservation Program for Western Riverside County (WRCOG Program)
- Exhibit 4: PACEfunding Program: Administration Agreement
- Exhibit 5: Green Corridor Property Assessment Clean Energy (PACE) District: Program Guidelines (Feb. 20, 2019)
- Exhibit 6: First Supplemental Trust Indenture (Series 2017)
- Exhibit 7: Resolution and Agreement: Green Corridor
- Exhibit 8: Kroll Bond Rating Agency (KBRA): 2017 HERO Presale Report
- Exhibit 9: KBRA GoodGreen 2018-1: New Issue Report
- Exhibit 10: Ygrene Energy Fund and Securities and Exchange Commission (SEC) Filing
- Exhibit 11: WRCOG Program PACE Funding Program Assessment Contract (Residential)
- Exhibit 12: HERO Training Kit
- Exhibit 13: Residential Solar Photovoltaic System Application
- Exhibit 14: KBRA Transaction Structure
- Exhibit 15: Ygrene Energy Fund SelectRate Program
- Exhibit 16: Florida PACE Funding Agency, Consumer Protection Policies (version 1.0, May 26, 2017)
- Exhibit 17: PACE Contractor Advertisement
- Exhibit 18: WRCOG PACE Funding Group Program: Master Assignment and Assumption Agreement
- Exhibit 19: WRCOG Program Master Bond Agreement
- Exhibit 20: Green Corridor: Interlocal Agreement
- Exhibit 21: Green Corridor PACE District: Uniform Collection Agreement
- Exhibit 22: KBRA: 2018 HERO Pre-Sale Report
- Exhibit 23: WRCOG Administration and Finance Committee: Staff Report
- Exhibit 24: DBRS Report: Rating U.S. Property Assessed Clean Energy (PACE) Securitizations (July 24, 2015)
- Exhibit 25: Assembly Committees on Local Government and Banking and Finance: Keeping Up with PACE: A Joint Oversight Hearing on Residential Property Assessed Clean Energy Programs
- Exhibit 26: California First Residential Property Owner Handbook (Version 15.9, October 2018)
- Exhibit 27: 2016 PACE Assessment Contract with Los Angeles County Energy Program (LA HERO Program)



Exhibit 1

HERO Financing Program™ Application

P: 855-HERO-411

A: 16409 W. Bernardo Drive, San Diego, CA, 92127

E: lacounty@heroprogram.com

The County of Los Angeles (LA County) HERO Program (the “Program”) finances installation of renewable energy, energy or water efficiency products, or electric vehicle charging infrastructure (“Eligible Products”) that are permanently fixed to a property owner’s real property (“Property”). The cost of the purchase and installation of Eligible Products (the “Project Cost”) will be financed upon the signing of an assessment contract (“Assessment Contract”) between LA County and the property owner(s) (collectively, the property owner(s) shall be referred to herein as the “Property Owner,” “you” or “your”). LA County has retained Renovate America, Inc. (“Renovate America”) to facilitate the Program, and you will see this name throughout the Program materials. LA County and Renovate America are referred to collectively herein as “Program Administrator.”

A. Property Owner Acknowledgments

You are applying for HERO Program financing. By signing this application (the “Application”), you hereby declare under penalty of perjury under the laws of the State of California all of the following:

1. That the information provided in this Application is true and correct as of the date set forth opposite your signature on the Application and that you understand that any intentional or negligent misrepresentation(s) of the information contained in this Application may result in civil liability and/or criminal penalties including, but not limited to, liability for monetary damages to LA County, its agents, or successors and assigns, insurers and any other person who may suffer any loss due to reliance upon any misrepresentation which you have made in this Application, or both.
2. You understand that it is your responsibility to receive, read and understand all documents comprising the Program, which, include, but are not limited to, the following:
 - a. This Application;
 - b. Privacy Notice;
 - c. Assessment Contract; and
 - d. Program Handbook.
3. You have had an opportunity to speak with Program representatives and your legal counsel on any questions you have regarding the documents listed above. You are also aware that Property Owners are encouraged to consult with legal counsel or a tax professional of their choice before entering into an Assessment Contract.
4. You have the authority, without the consent of any third party, to execute and deliver this Application, the Assessment Contract, and the various other documents and instruments required to obtain HERO Program financing.
5. You understand that the financing provided pursuant to the Assessment Contract will be repayable through an assessment levied against the Property, and that an assessment lien will be recorded by LA County against the Property in the office of the County Recorder of the County of Los Angeles upon execution of the Assessment Contract. The property tax bill (which will include the assessment payments) for the Property will increase by the amount of these assessment installment payments. The Assessment Contract will specify the amount of the assessment, the assessment installments and the interest on the assessment to be collected on the property tax bill for the Property each year during the term specified in the Assessment Contract. The assessment and the interest and any penalties thereon will constitute a lien against the Property until they are paid. As with all tax and assessment liens, this lien will be senior to all existing and future private liens against the Property, including mortgages, deeds of trust and other security instruments.
6. If, as of the date of this Application or any time before the completion of the installation of Eligible Products on the Property to be financed through your HERO Assessment Contract, you have obtained or are in the process of obtaining additional financing for the installation of energy efficiency, renewable energy or water saving measures from a source other than the Program the repayment of which will also be collected on your property tax bill through the levy of an additional assessment or a special tax against the Property, you will notify the Program as part of your HERO Application process (or at such other time before the installation of your HERO financed Eligible Products is complete) and will provide all relevant information requested by the Program in order to determine if you have met the applicable underwriting requirements.
7. The property taxes for your Property have not been paid late more than once in the past three (3) years or since the purchase of your Property, whichever period is shorter.
8. Your HERO Program financing will not be used to finance any equipment that is not an Eligible Product on the Program’s Eligible Product List or approved as a custom product by the Program.

B. Disclosures

The following describes some (but not all) characteristics and risks of participation in the Program. 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 available to answer questions regarding 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 LA County 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 LA County.

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 LA County. 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. **Foreclosure.** LA County shall determine whether any annual assessment installment is not paid when due and shall have the right to order that any such delinquent payment, penalties, interest, and associated costs be collected by a foreclosure action brought in Superior Court that could result in a sale of the Property for the payment of such delinquent assessment installment.
- c. **Program Administration Fee.** At the time of closing, LA County will charge you a one-time program administration fee of 5.79% of the Project Cost to cover the cost of administering the Program. This fee will be included in the principal amount of the assessment.
- d. **Recording Fee and One-time Assessment Administration Fee.** At the time of closing, LA County will pass-through the assessment recording fee of \$75.00 to you to cover the cost of recording the assessment, which will be added to the assessment amount or may be paid upfront by you at closing. At the time of closing, a one-time assessment administration fee of \$155.00 will also be added to the assessment amount. In addition, you will be required to pay recording fees charged by the County in connection with a prepayment or discharge of the assessment.
- e. **Annual Assessment Administration Fee.** Each year, an annual assessment administration fee will be added to the assessment lien amount on your property tax bill. This fee is currently \$25.00, but is subject to increase to an amount not to exceed \$55.00.
- f. **Interest Before First Payment:** Interest will be added to your assessment amount for the period between your closing date and September 2nd of the year in which you make your first assessment payment, in accordance with the Improvement Bond Act of 1915. The maximum amount of interest will be disclosed in your financing documents. Depending on the date the assessment is recorded on your Property, your first assessment payment may not be due until the following tax year.
- g. **Prepayment.** You have the option to pay off your assessment amount at any time in full, or in any amount of at least \$2,500; however, you may not be able to make partial prepayments if you are entering into a solar lease or power purchase agreement. 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 second business day of the second month following the date the prepayment is made.
- h. **No Endorsement, Warranty or Liability.** LA County, Renovate America, 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. LA County, the participating municipality, Renovate America and the Program, and each of their respective, officers, employees, agents and assigns make no representations and have no responsibility regarding the equipment and its installation, including the eligibility, 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. You are responsible for verifying that all equipment installed is either on the Program's Eligible Product List or approved as a custom product by the Program. Further, LA County, Renovate America and the Program shall not be in any way liable for any incidental or consequential damages resulting from the equipment or its installation.
- i. **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 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 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. 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.

- j. **Property Transfers, Notice, and Acknowledgement.** To the extent required by applicable law, the Property Owner hereby agrees to provide written notice of the obligation to pay the assessment pursuant to an Assessment Contract to any subsequent purchaser or transferee of the Property or any interest therein, including any subdivision of the Property, at or before the time of sale or transfer of the Property. Property Owner understands and acknowledges that the assessment, and obligation to pay the assessment pursuant to such Assessment Contract, runs with the land and, upon sale or transfer of the Property or any interest therein, any subsequent owner or transferee shall be required to pay the assessment pursuant to such Assessment Contract. If a subsequent owner or transferee fails to pay the assessment pursuant to such Assessment Contract, then the provisions of this Contract, including the “Foreclosure” provision listed above, shall apply to the subsequent owner or transferee’s interest in the Property to the extent permitted by law. Property Owner further understands and acknowledges that a subsequent purchaser or transferee, or any interested party to the sale or transfer (such as a lender), may require as a condition of sale or transfer, that the assessment be paid in full prior to sale or transfer. Information regarding assessment prepayment can be found in your Program financing documents.
- k. **Project Pricing. CONTRACTORS THAT HAVE REGISTERED WITH THE PROGRAM HAVE AGREED NOT TO CHARGE YOU A DIFFERENT AMOUNT FOR A HOME IMPROVEMENT PROJECT IF YOU FINANCE THAT PROJECT THROUGH THE PROGRAM INSTEAD OF PAYING FOR THE PROJECT WITH CASH.**
2. **Legal Disclosures and Consents.**
- a. **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 LA County 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.
- b. **Monitoring and Recording Telephone Calls.** The Program may monitor or record telephone calls for security and customer service purposes. By applying for HERO Financing, you consent to have any phone conversations with the Program recorded or monitored.
- c. **Terms for Electronic Transactions and Records.**
- By signing this Application, you hereby agree as follows: (A) you have read the consent in this subsection (c); (B) you consent to use electronic signatures and Records; (C) you have the necessary hardware and software to view and print copies of Records and additional communications online and to receive Records and communications that we send to you; and (D) your consent applies to every Record, as defined here, that we may send you during our business relationship unless you revoke your consent.
- i. **Definitions.** For purposes of this subsection (c), the following definitions apply:
 - “Records” means all documents related to Program financing and all other communications or information related to the product or service you obtain with us.
 - ii. **Scope of Consent.** You consent to conduct transactions that occur prior to and after executing application electronically, use electronic signatures and Records, and receive electronic mail (email) and electronic communication with respect to these transactions and Records regarding your account, instead of receiving them in paper or by regular mail. Your consent will be effective unless you withdraw it in the manner provided below. The Program may provide Records to you electronically by posting them online or by email, which may include attachments or embedded links.
 - iii. **How to Update Your Contact Information.** You agree to provide the Program with your accurate email address (if available) and personal contact information and to promptly notify the Program of any changes. You can update your information (including your email address) by contacting the Program at 855-HERO-411.
 - iv. **Obtaining Paper Copies.** You may obtain a paper copy of a Record by printing it from your computer or by contacting the Program at 855-HERO-411. The Program may charge you a reasonable service charge for providing you with a paper copy of any Record. The request for a paper copy of a Record will not by itself constitute a withdrawal of your consent to receive Records electronically. The Program reserves the right, but is not required, to send a paper copy of any Record you authorize the Program to provide electronically.
 - v. **Withdrawing Consent.** You may at any time withdraw your consent to receive Records electronically, and instead elect at any time to use the U.S. Postal Service to obtain Records, by updating your profile information through your online account or by contacting the Program at 855-HERO-411. The Program will not impose any fee if you withdraw your consent to receive Records electronically, but communications between you and the Program will be slower. If you withdraw your consent to receive Records electronically, such withdrawal will not apply to Records that were furnished by the Program to you electronically before the date on which the withdrawal of your consent takes effect.
 - vi. **Hardware and Software Requirements.** In order to use Electronic Transactions and Records you need to have an electronic device that supports the use of Microsoft Internet Explorer 7.0 or higher, Mozilla Firefox 3.5 or higher, Chrome, Safari 5.0 or higher, or an equivalent. You also need hardware as necessary to support this software, including, without limitation, an electronic device using a Windows 98, NT, 2000, ME XP, Vista or 7 operating system that supports 128-bit encryption, sufficient storage space to save copies of your Records, a modem with internet access, and a printer if you wish to print paper copies. You will need a screen resolution of minimum 800 x 600 and a program that can view, save and print PDF files (such as Adobe Reader 6.0 or higher). Please save and print a copy of these Terms for Electronic Transactions and Records to confirm that you have the required hardware and software to conduct electronic transactions with us.
- d. **Telephone Communications Consent.** By providing the Program Administrator with a telephone number, including a number that you later convert to a mobile device number, you are expressly consenting to receiving communications—including but not limited to prerecorded or artificial voice message calls, text messages, and calls made by an automatic telephone dialing system—from the Program Administrator and its affiliates and agents at that number. This express consent applies to each such telephone number that you provide to the Program

Administrator now or in the future. Calls and messages may incur access fees from your mobile services provider. You understand that you may revoke your express consent by informing the Program Administrator that you no longer wish to receive prerecorded or artificial voice message calls, text messages, and calls made by an automatic telephone dialing system from the Program Administrator.

- e. **Property Owner Income and Expenses.** As part of the application process, Property Owner income and expenses will be considered and could affect application approval and maximum approval amounts. Approval amounts may vary depending on financing term length, interest rates and the contractor you select. Available term lengths depend on the useful life of the products installed. Not all term lengths are available for all products. By signing this Application, you agree that any information or documentation you provide regarding your income and expenses will be accurate and complete. Alimony, child support or separate maintenance income does not need to be included unless you wish it to be considered as a basis for payment.

C. Arbitration Agreement

Please read this Section ("Arbitration Agreement") carefully. It is part of this Application and affects your rights. It contains A JURY TRIAL WAIVER and procedures for MANDATORY BINDING ARBITRATION AND A CLASS ACTION WAIVER.

1. **Arbitration Agreement.** Before asserting a claim against Renovate America in any proceeding, you agree that you shall engage in a good faith attempt to resolve the claim. All claims and disputes between you and Renovate America that cannot be resolved informally or in small claims court shall be resolved by binding arbitration on an individual basis under the terms of this Arbitration Agreement. This Arbitration Agreement applies to you (including any of your successor(s) in interest) and Renovate America (including any of Renovate America's parents, subsidiaries, affiliates, agents, privities, employees, predecessors, successors, assigns, registered contractors and sub-contractors).
2. **Waiver of Jury Trial.** YOU HEREBY WAIVE THE CONSTITUTIONAL AND STATUTORY RIGHTS TO GO TO COURT AND HAVE A TRIAL IN FRONT OF A JUDGE OR A JURY, instead electing that all claims and disputes shall be resolved by arbitration under this Arbitration Agreement. Arbitration procedures are typically more limited, more efficient and less costly than rules applicable in court and are subject to very limited review by a court.
3. **Arbitration Rules.** The Federal Arbitration Act governs the interpretation and enforcement of this dispute resolution provision. Arbitration shall be initiated through JAMS, Inc., an established alternative dispute resolution provider ("ADR Provider"). If the selected ADR Provider is not available to arbitrate, Renovate America shall select an alternative ADR Provider. The rules of the ADR Provider shall govern all aspects of this arbitration, except to the extent such rules are in conflict with this Application or to the extent that application of this Application provisions would result in the unenforceability of this Arbitration Agreement. The JAMS rules governing the arbitration are available online at www.jamsadr.com or by calling JAMS at 1-800-352-5267. Any arbitration hearing will be held in your federal judicial district. Any judgment on the award rendered by the arbitrator may be entered in any court of competent jurisdiction.
4. **Decision of Arbitrator.** The arbitrator shall issue a written award and statement of decision describing the essential findings and conclusions on which the award is based. The arbitrator has the same authority to award relief on an individual basis that a judge in a court of law would have. The award of the arbitrator is final and binding upon the Property owner and Renovate America.
5. **Waiver of Class or Consolidated Actions.** ALL CLAIMS AND DISPUTES WITHIN THE SCOPE OF THIS ARBITRATION AGREEMENT MUST BE ARBITRATED ON AN INDIVIDUAL BASIS AND NOT ON A CLASS BASIS, AND ARBITRATION CLAIMS OF MORE THAN ONE PROPERTY OWNER CANNOT BE ARBITRATED OR LITIGATED JOINTLY OR CONSOLIDATED WITH THOSE OF ANY OTHER PROPERTY OWNER.
6. **Severability.** If any part or parts of this Arbitration Agreement other than the Waiver of Class or Consolidated Actions are found under the law to be invalid or unenforceable, then such specific part or parts shall be of no force and effect and shall be severed and the remainder of the Arbitration Agreement shall continue in full force and effect. If the Waiver of Class or Consolidated Actions is found to be unenforceable, then as to the specific dispute in which that ruling of unenforceability was made, this entire Arbitration Agreement shall be unenforceable.
7. **Survival of Agreement.** This Arbitration Agreement shall survive the termination of this Application.
8. **Small Claims Court.** Notwithstanding the foregoing, you or Renovate America may bring an individual action in small claims court.
9. **Property Owner's Right to Opt Out of Arbitration.** You may opt out of this Arbitration Agreement by sending a written notice of your election to do so, signed by all application hereunder, within 30 days of the date of this Application. Such election shall be sent to Renovate America, Attn: Compliance Department, at 16409 W. Bernardo Drive, San Diego, CA, 92127.

By signing below, you acknowledge and agree to the terms set forth in this Arbitration Agreement.



HERO Financing Program™ Application


P: 855-HERO-411

A: 16409 W. Bernardo Drive, San Diego, CA, 92127

E: lacounty@heroprogram.com

Property Owner Signature(s)

You declare that (i) you have received, read and understand the risks and characteristics of the Program described in this Application and (ii) by executing this Application, you (a) agree to its terms, without the need for any third party consent and (b) have been informed that you must take sole responsibility to ensure 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 you are a party. You hereby authorize Renovate America to obtain a copy of your credit report and all other necessary information and documentation to show that you meet all HERO Program underwriting requirements.

		Date		Date
	Joe Smith		Property Owner 2	
		Date		Date
	Property Owner 3		Property Owner 4	

SAMPLE



HERO Financing Program™ Application

P: 855-HERO-411

A: 16409 W. Bernardo Drive, San Diego, CA, 92127

E: lacounty@heroprogram.com

FOR CONTRACTOR CALL IN ONLY

HERO ID#: CA03700000

Property Address

Single Family Home

Property Type

123 Blueberry Ln

Property Address

Los Angeles

City

CA

State

90032

Zip Code

Property Owner

Ownership Type: **Individual**

Joe

First Name

M. Initial

Smith

Last Name

XXX-XX-XXXX

Social Security Number

XX/XX/1980

Birth Date (mm/dd/yyyy)

(555) 123-4567

Home Phone Number

joe_smith@rasampledocs.com

Email Address

123 Blueberry Ln

Mailing Address

Los Angeles

City

CA

State

90032

Zip Code

Property Owner 2

First Name

M. Initial


Last Name

Social Security Number

Birth Date (mm/dd/yyyy)

Property Owner Signature(s)

You declare that you have the authority, without the consent of any third party which has not been previously obtained, to execute and deliver the Application, Assessment Contract, and the various documents and instruments referenced therein.

	_____	_____	_____	_____
	sig.	Date	Property Owner 2	Date
	Joe Smith			
	_____	_____	_____	_____
	Date	Property Owner 3	Date	
		Property Owner 4	Date	

If you do NOT wish to receive email communications from the Program and would prefer all communications to occur through the U.S. mail instead, please contact us.

Please check this box if you do NOT want to receive newsletters or other marketing materials from the Program or Renovate America, Inc.

**LA HERO Program
ASSESSMENT CONTRACT
(RESIDENTIAL)**

This Assessment Contract (this "Contract") is made and entered into as of this 3rd day of January, 2019, by and between the County of Los Angeles, a political subdivision of the State of California (the "County"), and the record owner(s), **Joe Smith**, (the "Property Owner"), of the fee title to the real property identified on Exhibit A (the "Property").

RECITALS

WHEREAS, the County is a political subdivision of the State of California; and

WHEREAS, the County has established the LA HERO Program (the "HERO Program") to allow for the financing of certain renewable energy, energy efficiency and water efficiency improvements and electric vehicle charging infrastructure 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 Sections 8500 and following) (the "1915 Act") upon the security of the unpaid contractual assessments; and

WHEREAS, Chapter 29 provides that assessments may be levied under its provisions 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; and

WHEREAS, the Property is located in within the unincorporated boundaries of the County or the boundaries of the City identified in Exhibit A hereto (the County or such City, as applicable, the "Participating Entity") that has resolved to participate in the HERO Program, and the Participating Entity has consented to (i) owners of property within its jurisdiction participating in the HERO Program and (ii) the County conducting assessment proceedings under Chapter 29 and issuing bonds under the 1915 Act to finance Authorized Improvements; and

WHEREAS, pursuant to Chapter 29, the County and the Property Owner wish to enter into a contract pursuant to which the Property Owner would freely and willingly agree and consent to pay an assessment in order to finance the installation on the Property of the Authorized Improvements described in **Exhibit A** (the "Improvements") and the County would agree to provide financing, all on the terms set forth in this Contract;

NOW, THEREFORE, in consideration of the foregoing and the material covenants contained in the Contract, including the other Contract Documents specified in Exhibit B hereto, the Property Owner and the County 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 the installation of the Improvements identified on Exhibit A on the Property. By signing this Contract below, the Property Owner hereby represents and warrants that any and all payments disbursed under this Contract by or on behalf of the Authority will be used solely for the purpose of financing the installation of Improvements identified on Exhibit A, except as and to the extent Exhibit A is modified by any duly executed Addendum (as defined below) to this Contract.

Section 2. The Property. This Contract relates to the real property identified on Exhibit A. The Property Owner has supplied to the County current evidence of its ownership of fee title to the Property and possesses all legal authority necessary to execute this Contract on behalf of the Property Owner.

Section 3. Contract to Pay Assessment; Prepayment

(a) **Payment of Assessment.** The Property Owner hereby freely and willingly agrees to pay the “Assessment,” the amount of which shall be determined as provided in Section 3(b) below. The County will not provide financing in an amount in excess of the Assessment. Except as otherwise set forth in this Contract, the Assessment will be paid in the installments (each, an “Assessment Installment”). The schedule of estimated maximum annual Assessment Installments are set forth in paragraph (c) below. Interest will accrue on the Assessment at the interest rate set forth on Exhibit B beginning on the date on which the County issues bonds to finance the installation of the Improvements.

(b) **The Assessment.** The Assessment shall equal the total amount disbursed by the County to pay for (i) the Improvements identified on Exhibit A, plus (ii) all costs, fees and interest associated therewith as reflected on Exhibit B, which total amount is also known as the Actual Disbursement Amount (defined below).

(c) **Schedule of Estimated Maximum Annual Assessment Installments.** The following schedule of estimated maximum annual Assessment Installments is based upon the assumptions provided in Exhibit B hereto, including (without limitation) the Estimated Disbursement Amount, which is based upon the price of the initially selected Improvements identified in Exhibit A, which in turn provides the basis for calculating the associated costs, fees and interest appearing below and on Exhibit B.

Tax Year* (commencing July 1)	Total Annual Payment**	Interest Portion of Annual Payment***
2019 - 2020	\$1,698.86	\$1,457.45
2020 - 2021	\$1,698.86	\$814.57
2021 - 2022	\$1,698.86	\$748.49
2022 - 2023	\$1,698.86	\$677.33
2023 - 2024	\$1,698.86	\$600.69
2024 - 2025	\$1,698.86	\$518.16
2025 - 2026	\$1,698.86	\$429.29
2026 - 2027	\$1,698.86	\$333.58
2027 - 2028	\$1,698.86	\$230.52
2028 - 2029	\$1,698.86	\$119.52

* The payment schedule shown above assumes an initial Tax Year based upon the Estimated Disbursement Date. The actual payment schedule will begin with an initial Tax Year based upon the actual disbursement date. In some cases, this may be one year earlier than the initial Tax Year reflected in the schedule above.

** Includes the annual Assessment Installments due in the Tax Year and current annual assessment administration fee of \$25.00, which is subject to increase to an amount not to exceed \$55.00.

*** This column includes annual interest and any prepaid interest if financed. Consult your tax advisor about potential tax deductibility and any other tax benefits.

FOLLOWING THE DISBURSEMENT OF THE ACTUAL DISBURSEMENT AMOUNT, THE HERO PROGRAM ADMINISTRATOR WILL ADJUST THE ASSESSMENT AND THE ESTIMATED MAXIMUM ANNUAL ASSESSMENT INSTALLMENTS, IF NECESSARY, TO REFLECT THE ACTUAL ASSESSMENT BASED UPON THE ACTUAL DISBURSEMENT AMOUNT, THE ACTUAL DATE OF DISBURSEMENT AND THE ACTUAL AMOUNT OF INTEREST DUE AND PAYABLE BEFORE THE FIRST PAYMENT ADDED TO THE ACTUAL DISBURSEMENT AMOUNT. FOLLOWING THIS ADJUSTMENT, THE HERO PROGRAM ADMINISTRATOR SHALL DELIVER TO PROPERTY OWNER A FINAL ASSESSMENT STATEMENT AND THE SCHEDULE OF THE ACTUAL ANNUAL ASSESSMENT INSTALLMENTS. THE ACTUAL AMOUNT OF THE ASSESSMENT AND SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS

SHALL BE SPECIFIED IN THE "PAYMENT OF CONTRACTUAL ASSESSMENT REQUIRED" TO BE RECORDED BY THE COUNTY IN THE OFFICE OF THE COUNTY RECORDER.

Upon receipt of the fully executed and final Completion Certificate (as described in the current version of LA HERO Program Handbook, referred to herein as the "Handbook") the County shall calculate and disburse payments to those entitled to receive them (the "Actual Disbursement Amount") hereunder. If at any time after executing this Contract but before the County pays the Actual Disbursement Amount, the Property Owner changes the Improvements to be installed from those originally appearing on Exhibit A, but (i) the Improvement categories and the Improvement types do not change from those originally selected, and (ii) the "Revised Estimated Disbursement Amount" (which means the amount anticipated to be the Actual Disbursement Amount based on the changed Improvements) is less than or equal to the Estimated Disbursement Amount, the parties do not need to execute the Addendum described in Section 5 below, and this Contract shall remain unmodified and the Assessment shall be calculated as described above in this Section 3(c). If, however, any such change meets the provisions of Section 5 below, then an Addendum will be required.

(d) Administrative Expenses. The Property Owner hereby acknowledges and agrees that the County may add amounts to an annual installment of the Assessment in order to pay for the costs of collecting the Assessment (the "Annual Administrative Assessment").

(e) Prepayment and Discharge of the Assessment. The Assessment may be prepaid, in whole or in any amount of at least \$2,500, at any time upon the payment of (i) the whole or a portion of the unpaid principal component of the Assessment, (ii) and interest on the Assessment Prepayment Amount to the second business day of the second month following the date the prepayment is made. The Property Owner will be required to pay recording fees charged by the County in connection with a prepayment or discharge of the assessment.

(f) Absolute Obligation. The Property Owner hereby agrees that the Assessment will not be subject to reduction, offset or credit of any kind, whether statutory or contractual, in the event that the bond or bonds secured thereby are refunded, that the Assessment is prepaid or for any other reason.

Section 4. Existing Mortgage Disclosure. The Program establishes the manner by which the County may finance, pursuant to Chapter 29, the installation of Authorized Improvements, including the Improvements. The Improvements will be financed pursuant to this Assessment Contract between Property Owner and the County.

BEFORE EXECUTING THIS ASSESSMENT CONTRACT, PROPERTY OWNER SHOULD CAREFULLY REVIEW ANY MORTGAGE AGREEMENT(S) OR OTHER SECURITY INSTRUMENT(S) WHICH AFFECT THE PROPERTY OR TO WHICH THE PROPERTY OWNER IS A PARTY. ENTERING INTO THIS ASSESSMENT CONTRACT WITHOUT THE CONSENT OF 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 THE PROPERTY OWNER, WHICH COULD INCLUDE THE ACCELERATION OF THE REPAYMENT OBLIGATIONS DUE UNDER SUCH AGREEMENT OR SECURITY INSTRUMENT.

IN ADDITION, FANNIE MAE AND FREDDIE MAC, THE OWNERS OF A SIGNIFICANT PORTION OF ALL HOME MORTGAGES, STATED THAT THEY WOULD NOT PURCHASE HOME LOANS WITH ASSESSMENTS SUCH AS THOSE OFFERED BY THE COUNTY. 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 Property Owner's lender requires an impound for Property Owner's property taxes, Property Owner acknowledges that Property Owner should consider notifying such lender of the annual Assessment payment amount so such lender can adjust the Property Owner's impound amount to include the annual Assessment payment.

Section 5. Addendum. The parties agree to execute an addendum to this Contract (the "Addendum") if at any time after executing this Contract but before the Actual Disbursement Amount is released for disbursement: (i) the

Improvement categories or the Improvement types change from those appearing in Exhibit A; (ii) the Revised Estimated Disbursement Amount is greater than the Estimated Disbursement Amount; or (iii) it becomes necessary to correct the name, capacity, title, party or clerical errors identified therein. In any such case, the County, or the HERO Program on behalf of the County, shall prepare an Addendum: (i) setting forth an accurate description of the Improvements installed; (ii) providing the Revised Estimated Disbursement Amount; and (iii) as necessary, correcting the names, capacities, titles, parties and other clerical corrections appearing in the original documentation comprising this Contract. The County, or the HERO Program on behalf of the County, shall prepare and provide such Addendum to the Property Owner for review and signature. Once signed by the Property Owner, the County shall execute the Addendum, which shall become part of, and be incorporated into, this Contract as if it originally appeared therein.

Section 6. Collection of Assessment; Lien. The Assessment, the interest and penalties thereon as a result of a delinquency in the payment of any installment of the Assessment, and the Annual Administrative Assessment shall constitute a lien against the Property until they are paid and shall be collected and shall have the lien priority as set forth in Chapter 29.

The Property Owner acknowledges that if any Assessment Installment is not paid when due, the County has the right to have such delinquent Assessment 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, if bonds are sold to finance the Improvements, the County may obligate itself, through a covenant with the owners of such bonds, to exercise its judicial foreclosure rights with respect to delinquent Assessment Installments under circumstances specified in such covenant.

Section 7. Financing of the Improvements.

(a) Contract to Finance Improvements. The County hereby agrees to use the Assessment, together with the Annual Administrative Assessment, to finance the Improvements, including the payment of the County's reasonable costs of administering the HERO Program, subject to the Property Owner's compliance with the conditions for such financing established by the County.

(b) Assessment Installments. The Property Owner agrees to the issuance of bonds by the County to finance the installation of the Improvements. The interest rate used to calculate the Assessment Installments set forth in Section 3(c) of this Contract is identified on Exhibit B. If the applicable interest rate on the Bonds issued to finance installation of the Improvements, or the actual cost of the Improvements disbursed by the County, is less than the corresponding terms shown on Exhibit B, then, concurrently with the disbursement of funds to the Property Owner, the County shall provide the Property Owner with a schedule of annual Assessment Installments, in the form of a Final Payment Summary, which shall determine the Assessment Installment obligations applicable to the Property.

Section 8. Multiple Contractors and Improvements. Notwithstanding anything to the contrary in this Contract, if the Property Owner engages one or more contractors (each, a "Contractor," which term includes any designee thereof) to install more than one Improvement, the installation of which Improvements will not be completed simultaneously, the Property Owner and the County agree as follows:

- (a) Upon receipt of the initial Completion Certificate from a Contractor and the Property Owner (the "First Installation Completion Certificate") acknowledging installation of the first type or category of Improvements, then:
- i. The County shall cause all instruments, documents and agreements described in Section 10 of this Contract to be recorded;
 - ii. The County shall cause bonds to be issued and sold in the amount equal to the Actual Disbursement Amount deposited with such municipal trustee;
 - iii. The County shall cause the amount reflected in the First Installation Completion Certificate to be

- disbursed to the Contractor who installed such Improvements; and
- iv. The County shall cause all administrative, recording and other fees described on line 5 of the "Schedule of Estimated Maximum Annual Assessment Installments" set forth in Exhibit B to be paid.
- (b) Upon receipt of a subsequent Completion Certificate from the Property Owner and the Contractor (each, a "Subsequent Installation(s) Completion Certificate") acknowledging installation of the subsequent types or categories of Improvements, the County shall cause the municipal trustee for the Program to disburse amount(s) reflected in each such Subsequent Installation Completion Certificate to the Contractor who installed such Improvements.
- (c) Upon receipt of the final Completion Certificate from the Contractor and the Property Owner (the "Final Installation Completion Certificate") acknowledging installation of the final types or categories of Improvements, then:
- i. The County shall cause the amount reflected in such Final Installation Completion Certificate to be disbursed to the Contractor who installed such Improvements (the "Final Disbursement"); provided, however, that:
1. If the remaining balance of the Actual Disbursement Amount deposited with the municipal trustee following such Final Disbursement is \$100 or more, the County shall cause such excess to be applied to the reduction of the outstanding balance of the Assessment determined in accordance with Sections 3 and 5 of this Contract; or
 2. If the remaining balance of the Actual Disbursement Amount deposited with the municipal trustee following such Final Disbursement is less than \$100, the County shall cause such excess to be applied to the payment of administrative expenses; or
 3. If such remaining balance of the Actual Disbursement Amount deposited with the municipal trustee is less than the amount reflected in the Final Installation Completion Certificate, the Property Owner shall be individually responsible for paying such difference to the applicable Contractor, and such payment shall be excluded from the Assessment under this Contract.
- (d) If for any reason any one or more of the categories or types of Improvements planned to be installed under this Section 8 is not installed by the expiration date reflected in the Notice to Proceed, then the County shall have the option to declare the financing of the Improvements complete, in which case the municipal trustee shall be notified to apply any remaining balance of the Actual Disbursement Amount held by such municipal trustee to reduce the Property Owner's outstanding Assessment.

Section 9. Term: Contract Runs with the Land: Subdivision.

- (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) In the event the Property is subdivided while the Assessment remains unpaid, the Assessment will be assigned to the newly-created parcel on which the Improvements are located. If the Improvements no longer exist, the Assessment will be assigned to each of the newly-created parcels on a per-acre basis, unless the County, in its sole discretion, determines that the Assessment should be allocated in an alternate manner.

Section 10. Recordation of Documents. The Property Owner hereby authorizes and directs the County to cause to be recorded in the office of the County Recorder the various notices and other documents, including without limitation a Notice of Assessment, together with a copy of this Assessment Contract, required by Chapter 29 and other applicable laws to be recorded against the Property.

Section 11. Property Transfers, Notice, and Acknowledgment. To the extent required by applicable law, the

Property Owner hereby agrees to provide written notice of the obligation to pay the Assessment pursuant to this Contract to any subsequent purchaser or transferee of the Property or any interest therein, including any subdivision of the Property, at or before the time of sale or transfer of the Property.

Property Owner acknowledges that the Assessment and obligation to pay the Assessment pursuant to this Contract runs with the land and, upon sale or transfer of the Property or any interest therein, any subsequent owner or transferee shall be required to pay the Assessment pursuant to this Contract. If a subsequent owner or transferee fails to pay the Assessment pursuant to this Contract, then the provisions of this Contract, including Section 6, shall apply to the subsequent owner or transferee's interest in the Property to the extent permitted by law. Property Owner further acknowledges that a subsequent purchaser or transferee, or any interested party to the sale or transfer (such as the lender) may require as a condition or sale or transfer that the Assessment be paid in full prior to such sale or transfer.

Section 12. Waivers, Acknowledgment and Contract. Because this Contract reflects the Property Owner's free and willing consent to pay the Assessment following a noticed public hearing, the Property Owner hereby waives any otherwise applicable requirements of Article XIII D of the California Constitution or any other provision of California law for an engineer's report, notice, public hearing, protest or ballot.

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 County undertaken in connection with the HERO 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 Owner will be responsible for payment of the Assessment regardless of whether the Improvements are properly installed, operated or maintained as expected.

The Property Owner hereby agrees that the County is entering into this Contract solely for the purpose of assisting the Property Owner with the financing of the installation of the Improvements, and that the County and the Participating Entity have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of the Improvements. Based upon the foregoing, the Property Owner hereby waives the right to recover from and fully and irrevocably releases the County, the Participating Entity and any and all agents, employees, attorneys, representatives and successors and assigns of the County 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 County, the Participating Entity and any and all agents, employees, attorneys, representatives and successors and assigns of the County or the Participating Entity.

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, the Property Owner agrees to waive the provisions of Section 1542 in connection with the matters that are the subject of the foregoing waivers and releases. The waivers, releases and agreements set forth in this Section 12 shall survive termination of this Contract. By initialing below, the Property Owner acknowledges and agrees to the terms set forth in Sections 4 and 12 above.

Joe Smith Initials:	_____	Initials:	_____
Initials:	_____	Initials:	_____

Section 13. Indemnification. The Property Owner agrees to indemnify, defend, protect, and hold harmless the County, the Participating Entity and any and all agents, employees, attorneys, representatives and successors and assigns of the County 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 HERO 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.

The provisions of this Section 13 shall survive the termination of this Contract.

Section 14. Right to Inspect Property. The Property Owner hereby grants the County, 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 County, its agents and representatives the right to examine and copy any documentation relating to the Improvements.

Section 15. Carbon Credits. The Property Owner hereby agrees that any carbon credits attributable to the Improvements shall be owned by the County.

Section 16. HERO Program Application. The Property Owner hereby represents and warrants to the County that the information set forth in the HERO Program Application submitted to the County in connection with Property Owner's request for financing is true and correct as of the date hereof, and that the representations set forth in the HERO 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 17. Amendment. Except as set forth in Section 3 or as provided for in Exhibit A pertaining to a fully executed and final Completion Certificate, this Contract may be modified only by an Addendum (as provided in Section 5) or other written agreement of the County and the Property Owner.

Section 18. Binding Effect; Assignment. This Contract inures to the benefit of and is binding upon the County, the Property Owner and their respective successors and assigns. The County has the right to assign any or all of its rights and obligations under this Contract without the consent of the Property Owner. The obligation to pay the Assessment set forth in this Contract is an obligation of the Property and no agreement or action of the Property Owner will be competent to impair in any way the County'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.

Section 19. 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 20. 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 21. Corrective Instruments. The County and the Property Owner agree that they will, 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 22. Governing Law: Venue. This Contract is governed by and construed in accordance with the laws of the State of California. Any legal action brought under this Contract, including without limitation, actions to foreclose delinquent installments of the Assessment, must be instituted in the Superior Court of the County of Los Angeles, State of California.

Section 23. Existing Instruments. Property Owner acknowledges that entry by the Property Owner into this Contract without the consent of an existing lender could constitute an event of default under existing mortgage(s) agreements or other security instruments ("Existing Instruments") and that defaulting under an Existing Instrument could have serious consequences to the Property Owner, which could include the acceleration of the repayment obligations due under such instrument. Property Owner further acknowledges Fannie Mae and Freddie Mac, the owner of a significant portion of all home mortgages, have stated that they will not purchase home loans with assessments such as those Assessment created pursuant to this Contract and that property owners who sell or refinance their properties may be required to prepay such assessments at the time they close their sale or refinancing.

Section 24. 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 25. Monitoring and Recording of Telephone Calls. The HERO Program may monitor and/or record telephone calls for security and customer service purposes. By executing this Contract, the Property Owner agrees to have their telephone calls with the HERO Program monitored and/or recorded.

Section 26. Contract Documents. Property Owner understands and acknowledges that the entire agreement between Property Owner and the County includes each and every document specified in the List of Documents contained in Exhibit B to this Contract (together, the "Contract Documents").

By executing this Contract, Property Owner acknowledges and agrees that:

- a. 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 to the County that the Property Owner may have regarding such Contract Documents.
- b. Property Owner has reviewed, understands and agrees to each and every additional requirement and term contained in Appendix B to the LA HERO Program Handbook (the "Handbook").
- c. Property Owner has reviewed, understands, agrees to and affirms each and every representation and warranty contained in the Property Owner's application and the Handbook.

Prior to executing this Assessment Contract, I/we, as the Property Owner, have read and understand the Property Owner's Acknowledgments and Disclosures contained in (a) the Application, (b) this Contract, (c) the Privacy Notice and (d) the Handbook.

Property Owner(s) must execute and return this Contract to the County at the address set forth in the "Notice Information" section of Exhibit A hereto so that it is received by the County not later than 01/13/2019. If the Property Owner fails to return the signed Contract to the County by the indicated date the HERO Program reserves the right to require the Property Owner to enter into a new Contract. All signatures of the Property Owner must be notarized by a duly licensed notary unless the Property Owner has previously successfully completed the identity verification process approved by the County.

Smith, Joe
CA03700000

IN WITNESS WHEREOF, the County 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.

Owner 1:	

Joe Smith, Signature	
Date: _____	Identity Verification Code:
Month/Day/Year	<input type="text"/>

COUNTY OF LOS ANGELES: Authorized Representative:	

Name <i>(Please Print)</i>	
_____	_____
County of Los Angeles Signature	Date of Execution by County of Los Angeles

SAMPLE

Smith, Joe
CA03700000

EXHIBIT A

DESCRIPTION OF PROPERTY, DESCRIPTION OF THE PRODUCTS, AND NOTICE INFORMATION

Description of Property:

Property Owner Name(s): Joe Smith
Property Address: 123 Blueberry Ln, Los Angeles, CA 90032
APN: xxx-xxx-xxx-xxx
Participating Entity: City of Los Angeles

Description of Products:

The Products include the following:

PRODUCT #1	
Product Category Type:	Heating, Cooling & Ventilation – Air Conditioners

Or similar energy efficiency or water efficiency product, as applicable, which is authorized under the Handbook.

All terms set forth in the fully executed and final Completion Certificate shall supersede and take precedence over any term in this Exhibit A that conflicts with, is not covered by, or is otherwise contrary to, the terms set forth in such Completion Certificate, and such Completion Certificate shall become part of, and be incorporated into, this Exhibit A as if they originally appeared therein.

Notice Information:

Internal Services Department
LA County HERO Program Manager
1100 N Eastern Ave # 200
Los Angeles, CA 90063

Joe Smith
123 Blueberry Ln
Los Angeles, CA 90032

EXHIBIT B

LIST OF CONTRACT DOCUMENTS, DISBURSEMENT, AND ASSUMPTIONS APPLICABLE TO THE
SCHEDULE OF ESTIMATED MAXIMUM ANNUAL ASSESSMENT INSTALLMENTS

List of Contract Documents:

The Contract shall consist of the following documents:

- This Contract and the exhibits hereto;
- Any Addendum entered into pursuant to Section 5 hereto;
- The Property Owner Application;
- The Right to Cancel;
- The Completion Certificate or, pursuant to Section 8, each applicable Completion Certificate;
- The Final Payment Summary;
- The Notice of Assessment;
- The Payment of Contractual Assessment Required; and
- The LA HERO Program Handbook, current version.

Disbursement Amounts:

The "Estimated Disbursement Amount" under this Contract is \$11,390.52, which is based upon the Improvements and pricing set forth in this Contract. The Estimated Disbursement Date is June 22, 2019, which date is used in the table in Section 3(c) of the Contract.

Assumptions Applicable to the Schedule of Estimated Maximum Annual Assessment Installments:

The schedule of the estimated maximum Annual Assessment Installments provided in Section 3(c) of the Contract is based on the following assumptions:

1. The County disburses the Estimated Disbursement Amount on the Estimated Disbursement Date.
2. Interest totaling a maximum of \$581.52 will accumulate until September 2nd of the year in which you make your first assessment payment, in accordance with the Improvement Bond Act of 1915. That amount will be added to Owner's Estimated Disbursement Amount.
3. The Assessment Interest Rate is 7.69%.
4. The Annual Percentage Rate (APR) of Property Owner's Assessment is 9.75%. APR is the annual interest rate Property Owner will actually pay on Property Owner's Assessment, including fees required in order to participate in the HERO Program.
5. Administrative fees and recording fees totaling \$809.00 are added to Property Owner's Assessment.

Prepayment:

You have a right to pay off your assessment lien amount at any time in full, or in any amount of at least \$2,500 pursuant to Section 3(e) of the Assessment Contract. However, if you do so, you will have to pay the principal amount of the assessment to be prepaid ("Assessment Prepayment Amount") and interest on the Assessment Prepayment Amount to the second business day of the second month following the date the prepayment is made, as well as any recording fees charged by the County in connection with a prepayment of the assessment.

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }ss.

COUNTY OF _____ }

On _____, before me, _____,

Notary Public, personally appeared

_____, who
proved to me on the basis of satisfactory evidence to be the person whose name is
subscribed to the within instrument and acknowledged to me that he/she executed the
same in his/her authorized capacity, and that by his/her signature on the instrument the
person or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of
CALIFORNIA that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Property Owner

Signature _____

(This area for official notarial seal)

LA HERO 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 County of Los Angeles, a political subdivision of the State of California (the "County") and **Joe Smith** entered into on the Effective Date (defined within the Assessment Contract) (the "Contract") that conflicts with, is not covered by, or is otherwise contrary to, the terms set forth herein and (ii) shall become part of, and be incorporated into, the Contract as if such terms originally appeared therein. For the avoidance of doubt, name, capacity, title, party and clerical corrections appearing below in this Addendum shall become part of, and be incorporated into, the Contract as if they originally appeared therein. For purposes of this Addendum, "Exhibit A" and "Exhibit B" refer to Exhibits A and B, respectively, within the Contract.

RECITALS:

WHEREAS, the County and Property Owner have executed the Contract to finance the Improvements installed or to be installed at the Property; and

WHEREAS, (i) the Improvements, Improvement types, and/or Improvement categories appearing in Exhibit A differ from those appearing in this Addendum, and/or (ii) the Estimated Disbursement Amount appearing in this Addendum is greater than the Estimated Disbursement Amount 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 Improvements and Improvement Amounts appearing in this Addendum shall replace the Improvements and Improvement Amounts listed in Exhibit A, and shall become part of, and incorporated into, Exhibit A as if they originally appeared herein.
 - b. The Revised Estimated Disbursement Amount listed in this Addendum shall replace the Estimated Disbursement Amount listed in Exhibit B, and shall become part of, and be incorporated into, Exhibit B as if it originally appeared therein.
 - c. The name, capacity, title, party and other clerical corrections (if any) appearing in the signature block of this Addendum 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 on and after the date hereof shall be deemed to refer to the Contract as amended by the Addendum.

4. Representations and Warranties.

- a. (i) Property Owner hereby represents and warrants that the terms, conditions and information contained in this Addendum are true and correct, and (ii) the Property Owner affirmatively authorizes 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, are 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, after giving effect to this Addendum, shall remain in full force and effect and the Property Owner hereby ratifies the obligations of the Property Owner under the Contract.
- c. Property Owner hereby represents and warrants that any and all payments disbursed under this Contract will be used solely for the purpose of financing the installation of Improvements listed in the Description of Products below.

5. Estimated Disbursement Amount. The Revised Estimated Disbursement Amount under this Contract is **\$11,390.52**, which is based upon the Improvements and pricing set forth in this Addendum. The Estimated Disbursement Date is June 22, 2019, which date is used in the table below.

6. Interest totaling a maximum of **\$581.52** will accumulate until September 2nd of the year in which you make your first assessment payment, in accordance with the Improvement Bond Act of 1915. Administrative fees and recording fees totaling **\$809.00** are added to your assessment.

Property Owner Information:

Date: **01/03/2019**
Property Owner: **Joe Smith**
Property Address: **123 Blueberry Ln, Los Angeles, CA 90032**
HERO ID: **CA03700000**
Application Date: **01/03/2019**
Expiration Date: **06/22/2019**
APN: **xxx-xxx-xxx-xxx**

Summary:

Financing Term	Interest Rate	Annual Amount Added to Property Tax Bill
10 years	7.69%	\$1,698.86

Description of Improvements:

PRODUCT #1	
Product Category Type:	Heating, Cooling & Ventilation – Air Conditioners

Payment Schedule:

Tax Year* (commencing July 1)	Total Annual Payment**	Interest Portion of Annual Payment***
2019 - 2020	\$1,698.86	\$1,457.45
2020 - 2021	\$1,698.86	\$814.57
2021 - 2022	\$1,698.86	\$748.49
2022 - 2023	\$1,698.86	\$677.33
2023 - 2024	\$1,698.86	\$600.69
2024 - 2025	\$1,698.86	\$518.16
2025 - 2026	\$1,698.86	\$429.29
2026 - 2027	\$1,698.86	\$333.58
2027 - 2028	\$1,698.86	\$230.52
2028 - 2029	\$1,698.86	\$119.52

* The payment schedule shown above assumes an initial Tax Year based upon the Estimated Disbursement Date. The actual payment schedule will begin with an initial Tax Year based upon the actual disbursement date. In some cases, this may be one year earlier than the initial Tax Year reflected in the schedule above.

** Includes the annual Assessment Installments due in the Tax Year and current annual assessment administration fee of \$25.00, which is subject to increase to an amount not to exceed \$55.00.

*** This column includes annual interest and any prepaid interest if financed. Consult your tax advisor about potential tax deductibility and any other tax benefits.

All signatures of the Property Owner must be notarized by a duly licensed notary unless the Property Owner has previously, immediately prior to executing this Addendum No. 1, successfully completed the identity verification process approved by the County.

Owner 1:	
_____ Joe Smith, Signature	
Date: _____ Month/Day/Year	Identity Verification Code: <input style="width: 100px; height: 20px;" type="text"/>

County of Los Angeles: Authorized Representative:

Name (*Please Print*)

County of Los Angeles Signature

Date of Execution by County of Los Angeles

SAMPLE

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }ss.

COUNTY OF _____ }

On _____, before me, _____,

Notary Public, personally appeared

_____, who
proved to me on the basis of satisfactory evidence to be the person whose name is
subscribed to the within instrument and acknowledged to me that he/she executed the
same in his/her authorized capacity, and that by his/her signature on the instrument the
person or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of
CALIFORNIA that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Property Owner

Signature _____

(This area for official notarial seal)

**MEMORANDUM AGREEMENT OF LA HERO PROGRAM
ASSESSMENT CONTRACT (RESIDENTIAL)**

THIS MEMORANDUM AGREEMENT OF LA HERO PROGRAM ASSESSMENT CONTRACT (RESIDENTIAL) is entered into as of this 3rd day of January, 2019, between the County of Los Angeles, a political subdivision of the State of California (the "County") and Joe Smith, (individually and collectively the "Property Owner"), the record owner(s) of the fee title to the real property identified on Exhibit A (the "Property") and constitutes a binding contract of the parties hereto.

1. The County has established the LA HERO Program (the "HERO Program") to allow financing of certain renewable energy, energy efficiency and water efficiency improvements and electric vehicle charging infrastructure 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 Sections 8500 and following) (the "1915 Act") upon the security of the unpaid contractual assessments.
2. The County and the Property Owner are executing in connection herewith, that certain LA HERO Program Assessment Contract (Residential) dated as of the date hereof (the "Assessment Contract").
3. The Property Owner hereby freely and willingly agrees to pay the assessment (the "Assessment") as provided in Exhibit B to the Assessment Contract plus interest and the Additional Administrative Assessment as provided in the Assessment Contract. The Assessment shall equal the total amount disbursed by the County to pay for (i) the Improvements identified on Exhibit A to the Assessment Contract, plus (ii) all costs, fees and interest associated therewith as reflected on Exhibit B to the Assessment Contract, which total amount is also known as the Actual Disbursement Amount (defined below).
4. Upon receipt of the fully executed and final Completion Certificate, as described in the current version of The LA HERO Program Handbook (referred to herein as the "Handbook"), the County shall calculate and disburse payments to those entitled to receive them (the "Actual Disbursement Amount") hereunder subject to such revisions as are agreed to pursuant to the Assessment Contract and subject to any Addendum to the Assessment Contract provided for under the Assessment Contract agreed to and executed by the parties hereto. The Property Owner shall comply with all requirements for contracting for the installation of the Improvements as required in the Assessment Contract and shall deliver such Completion Certificates as are provided for in the Assessment Contract. The County shall comply with all disbursement and recording requirements provided for in the Assessment Contract.
5. The Assessment, the interest and penalties thereon as a result of a delinquency in the payment of any installment of the Assessment, and the Additional Administrative Assessment shall constitute a lien against the Property (the "Assessment Lien") until they are paid and shall be collected and shall have the lien priority as set forth in Chapter 29 and may be enforced through judicial foreclosure action that could result in the sale of the Property for payment of the delinquent installments, and all penalties, interest and costs of suit, including attorneys' fees subject to such forbearance and subordination as may be provided in any Subordination Agreement that may be executed between the County and any other lienholder now or hereafter.
6. Except as otherwise set forth herein or in the Assessment Contract, this Contract shall expire upon (i) the final Assessment payment as provided in the Assessment Contract or (ii) any prepayment of the Assessment, provided that such prepayment is meant to be permanent and the party who is then the Property Owner does not execute a document confirming the assumption and continuation of the Assessment Contract and the Assessment Lien.
7. 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. If the Property is subdivided while the Assessment remains unpaid, the Assessment will be assigned to the newly-created parcel as provided in the Assessment Contract.
8. The Property Owner hereby waives (i) 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; (ii) any 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

Smith, Joe
CA03700000

aspect of the proceedings of the County undertaken in connection with the HERO Program; and (iii) any rights waived in the Assessment Contract.

9. This Memorandum is subject to all of the terms, conditions and understandings of the Assessment Contract, which are incorporated herein by reference as though copied verbatim herein. In the event of a conflict between the terms of this Memorandum and the terms of the Assessment Contract, the terms of the Assessment Contract shall prevail.

Description of Improvements:

PRODUCT #1	
Product Category Type:	Heating, Cooling & Ventilation – Air Conditioners

IN WITNESS WHEREOF, the County and the Property Owner have duly executed this Memorandum as of the date first above written.

Owner 1:	
_____ Joe Smith, Signature	
Date:	Identity Verification Code:
_____ Month/Day/Year	<div style="border: 2px solid black; width: 100%; height: 30px;"></div>

COUNTY OF LOS ANGELES: Authorized Representative:	
_____ Name (Please Print)	
_____ County of Los Angeles Signature	_____ Date of Execution by County of Los Angeles

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA } ss.

COUNTY OF _____ }

On _____, before me, _____,

Notary Public, personally appeared

_____, who

proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of CALIFORNIA that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Property Owner

Signature _____

(This area for official notarial seal)

Financing Estimate and Disclosure

16409 W. Bernardo Drive, San Diego, CA, 92127

Save this Financing Estimate and Disclosure to compare with your Final Payment Summary.

DATE ISSUED	01/03/2019	TERM	10 years
PROPERTY OWNERS	Joe Smith	PURPOSE	Home Improvement
	123 Blueberry Ln	PRODUCT	HERO Program
	Los Angeles, CA 90032	IDENTIFICATION #	CA03700000
PROPERTY ADDRESS	123 Blueberry Ln	RATE LOCK	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, until 06/22/2019
	Los Angeles, CA 90032		After the expiration date interest rates and closing costs can change.

Notice to Property Owner: You have the right to request that a hard copy of this document be provided to you before and after reviewing and signing. The financing arrangement described below will result in an assessment against your property which will be collected along with your property taxes and will result in a lien on your property. You should read and review the terms carefully, and if necessary, consult with a tax professional or attorney.

Customer Service Toll-Free Telephone Number and Email

In the event you have a consumer complaint, questions about your financing obligations related to the contractual assessment or your contractual rights under the terms of your financing contract, you can contact either this toll-free telephone number or email address provided below and receive a response within 24 hours or one business day.

Toll-free telephone number: (855) HERO-411

Customer service email address: info@heroprogram.com

Products and Costs

Product Cost <i>(Including labor/installation)</i>	\$10,000.00	• Heating, Cooling & Ventilation – Air Conditioners
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Financing Costs

Application Fees and Costs	\$579.00
Prepaid Interest	\$581.52
Other Costs	\$230.00
Total Amount Financed	\$11,390.52
Simple Interest Rate	7.69%
Annual Percentage Rate (APR)	9.75%
Balloon Payment	\$0.00

Projected Payments

Total Estimated Annual Principal, Interest and Administrative Fees	\$1,698.86
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Note: If your property taxes are paid through an impound account, your mortgage lender may apportion the amount and add it to your monthly payment. See "Other Considerations," below. This financing arrangement will result in an assessment against your property which will be collected along with your property taxes.

Financing Estimate and Disclosure

16409 W. Bernardo Drive, San Diego, CA, 92127

Save this Financing Estimate and Disclosure to compare with your Final Payment Summary.

Other Costs

A. Origination Charges¹	\$579.00
Application Fee	\$0.00
Bond Related Costs	\$579.00
B. Services	\$0.00
Appraisal Fees	\$0.00
Credit Reporting Fees	\$0.00
C. Recording and Administrative Fees¹	\$230.00
County Recording Fees	\$75.00
One-time Assessment Administration Fee	\$155.00
D. TOTAL FINANCING COSTS (A + B + C)	\$809.00

¹ Included in "Financing Costs" in preceding section

Prepaid Interest

E. Prepaid Interest¹	\$581.52
<i>(From closing to September 2nd of the year in which you make your first assessment payment)</i>	

Total Financing Costs and Closing Costs

F. TOTAL CLOSING COSTS (D + E)	\$1,390.52
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Calculating Cash to Close

Total Financing Costs and Closing Costs (F)	\$1,390.52
Closing Costs Financed <i>(Paid from Financed Amount)</i>	-\$1,390.52
Down Payment/Funds from Borrower	\$0.00
Estimated Cash to Close	\$0.00
<i>(Out of pocket)</i>	

Other Terms

Prepayment Fee	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES	<i>Interest will accrue until the 2nd day of the 2nd month following payoff</i>
Annual Assessment Administration Fee	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES	<i>Annual assessment administration fee of \$25.00 is subject to change²</i>
Additional Recording Fees	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES	<i>County recording fees collected upon prepayment or discharge generally range between \$95 and \$125³</i>

Additional Information About this Financing

Use this information to compare to other financing options

Total amount you will have paid over the term of the financing	+	\$10,809.00	<i>Principal you will have paid off (excluding any prepaid interest if financed)</i>
	+	\$5,929.60	<i>Amount of interest you will have paid (including any prepaid interest if financed)</i>
	+	\$250.00	<i>Amount of financing and other costs you will have paid</i>
	=	\$16,988.60	<i>Total you will have paid in principal, interest, financing and other costs</i>
Annual Percentage Rate		9.75%	<i>Your costs over the term expressed as a rate. This is not your interest rate.</i>
Total Interest Paid		34.90%	<i>As a percentage of all the payments you will have made</i>
Property Value Determination		\$1,000,000.00	<i>Property values provided by third party vendors. Property value is one of several factors used to determine financing approval amounts.</i>

² The annual assessment administration fee is subject to increase to an amount not to exceed \$55.00.

³ Recording fees will be collected by your county recorder in connection with a prepayment or discharge of the assessment. These fees generally range between \$95 and \$125, but are subject to change in subsequent years, depending upon the county where the Property is located. The Program does not determine or guarantee the amount of the fees, which may exceed this estimate. Please contact your local county recorder for more information.

Financing Estimate and Disclosure

16409 W. Bernardo Drive, San Diego, CA, 92127

Save this Financing Estimate and Disclosure to compare with your Final Payment Summary.

FINANCING PROVIDER Renovate America: HERO Program
EMAIL info@heroprogram.com
PHONE (855) HERO-411

Other Considerations

Home Sale or Refinancing	I understand that I may be required to pay off the remaining balance of this obligation by the mortgage lender refinancing my home. If I sell my home, the buyer or their mortgage lender may require me to pay off the balance of this obligation as a condition of sale.	_____ PO INITIAL
Tax Payments and Monthly Mortgage Payments	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 will need to save an estimated \$1,698.86 for your first tax installment. If you pay your property taxes through an impound account, you should notify your mortgage lender, so that your monthly mortgage payment can be adjusted by your mortgage lender to cover your increased property tax bill.	_____ PO INITIAL
Tax Benefits	Consult your tax advisor regarding potential tax credits, credits and deductions, tax deductibility, and other tax benefits available for the HERO Program. Making an appropriate application for the benefit is your responsibility.	_____ PO INITIAL
Statutory Penalties	If your property tax payment is late, the amount due will be subject to a 10% penalty, late fees, and 1.5% per month interest penalty as established by state law and your property may be subject to foreclosure.	_____ PO INITIAL
Three Day Right to Cancel	<p>You, the property owner, may cancel the contract at any time on or before midnight on the third business day after the date of the transaction to enter into the agreement without any penalty or obligation.</p> <p>To cancel this transaction, you may mail or deliver a signed and dated copy of the contract with notice of cancellation to:</p> <p>HERO Program 16409 W. Bernardo Drive San Diego, CA, 92127</p> <p>You may also cancel the contract by sending notification of cancellation by email to the email address cancellations@heroprogram.com or by calling 855-HERO-411 (855-437-6411).</p> <p>In addition to this three day right to cancel, you may choose not to proceed with your HERO financing at any time prior to signing the Completion Certificate.</p>	_____ PO INITIAL
Estimated Cost Savings	I understand that any utility bill savings I might experience as a result of any installed product(s) financed through the HERO Program will depend on my usage, utility rates, and the efficiency of such product(s). Any estimated savings are not guaranteed and will not reduce my assessment payments or my total assessment amount.	_____ PO INITIAL

Financing Estimate and Disclosure

16409 W. Bernardo Drive, San Diego, CA, 92127

Save this Financing Estimate and Disclosure to compare with your Final Payment Summary.

Confirm Receipt

This confirms the receipt of the information in this form. You do not have to accept this financing just because you acknowledge that you have received or signed this form, and it is not a contract.

Joe Smith

Date

Property Owner 2

Date

Property Owner 3

Date

Property Owner 4

Date

SAMPLE



P: (855) HERO-411 F: (858) 815-6860 E: lacounty@heroprogram.com A: 16409 W. Bernardo Drive San Diego, CA, 92127

Date: 01/03/2019
Property Owner(s): Joe Smith
Property Address: 123 Blueberry Ln, Los Angeles, CA 90032
HERO ID: CA03700000
Application Date: 01/03/2019
Expiration Date: 06/22/2019

Your Right to Cancel:

You are entering into a contractual assessment with the County of Los Angeles (LA County) for HERO Financing under the LA HERO Program ("Program") that will result in a lien on the property at 123 Blueberry Ln, Los Angeles, CA 90032.

You may cancel this transaction, without cost, on or before midnight on the third business day after whichever of the following events occurs last:

- (1) The date on which you signed the contractual assessment.
(2) The date you received your Financing Estimate and Disclosure.
(3) The date you received this notice of your right to cancel.

If you cancel the transaction, LA County, within 20 calendar days after LA County receives notice of cancellation, must take the steps necessary to reflect the fact that, if recorded, the lien on your property has been discharged and removed from the tax rolls, and LA County must return to you any money you have given in connection with your application, not including the application processing fee.

If you cancel the transaction:

- You will not be charged a cancellation fee; and
You will be refunded any money you have given, excluding application and processing fees as applicable.

Acknowledgement of Receipt

I/We hereby acknowledge reading and receiving a complete copy of this Notice of Right to Cancel.

Form with signature lines for Joe Smith, Property Owner 2, Property Owner 3, and Property Owner 4, each with a date field. Includes a QR code in the top left corner.

How to Cancel

To cancel this transaction, you may submit this form to LA County in writing at:
Provider: LA HERO Program
ATTN: Right to Cancel Notification
Email: cancellations@heroprogram.com
Fax Number: 858-815-6860
Address: 16409 W. Bernardo Drive
San Diego, CA, 92127





Deadline to Cancel:

If you want to cancel this transaction, you must submit this form on or before midnight on the third business day after whichever of the following events occurs last:

- (1) The date on which you signed the contractual assessment.
- (2) The date you received your Financing Estimate and Disclosure.
- (3) The date you received this notice of your right to cancel.

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. 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 contractual assessment. 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 date indicated above.

- (1) The date on which you signed the contractual assessment.
- (2) The date you received your Financing Estimate and Disclosure.
- (3) The date you received this notice of your right to cancel.

I Wish to Cancel

	_____	_____	_____	_____
	Joe Smith	Date	Property Owner 2	Date
	_____	_____	_____	_____
	Property Owner 3	Date	Property Owner 4	Date





HERO Financing Program™ Completion Certificate

P: (855) HERO-411

A: 16409 W. Bernardo Drive, San Diego, CA, 92127

E: herofunding@heroprogram.com

Date:	01/03/2019	HERO ID:	CA03700000
Property Owner(s):	Joe Smith	Application Date:	01/03/2019
Property Address:	123 Blueberry Ln, Los Angeles, CA 90032	Expiration Date:	06/22/2019

Completion Certificate Instructions

AFTER all work has been completed, the contractor and one of the property owners must sign this Completion Certificate. This Completion Certificate and attachments that may be required must then be submitted to the Program. The Program will then approve the Completion Certificate and process payment.

The Program may require the submission of the following:

- A fully executed home improvement contract, including all pages and addendums from all contractor(s), a product invoice(s) if self-installed
- Product related attachments, if applicable (see Product Details below)
- Initial or final permit(s), as applicable
- Copy of the contractor’s business license for this jurisdiction if one or more products did not require a building permit

Contractor

Company Name:	Jaime's Contractor Services	Phone:	(555) 555-5555
CSLB No:	xxxxxxx	Address:	456 Peach Ln, Los Angeles, CA 90032
Payment Instructions:	On file and can be updated from within the contractor portal or if payment is to be made to the Payment Designee as set forth in the Payment Designee section below.		

The undersigned representative of the contractor hereby certifies that:

1. I am an authorized representative of the contractor listed above and am thereby duly authorized to execute this Certificate of Completion;
2. The contractor listed above has completed the installation of the products set forth in the Installed HERO Product Details section below on the property listed above;
3. I have no reason to believe that the products installed on the property are not complete to the satisfaction of the property owner;
4. The Total Requested Product Amount will be used solely to pay for the installation of products set forth in the Installed HERO Product Details section below;
5. The property owner(s) signed this Completion Certificate after the installation of the products and it has no reason to believe that any signature on this Certificate is not genuine;
6. The company listed above has the correct licensing/classifications from the Contractor State Licensing Board to install the products listed on this Completion Certificate;
7. The contractor has provided all attachments that may be required with this Completion Certificate and the attached documents are true and correct copies thereof;
8. The contractor hereby transfers and assigns its right to receive HERO Funding to the Payment Designee for the Total Approved Financing Amount for this Completion Certificate if the instructions below indicate that payment should be paid to the Payment Designee; and
9. The contractor hereby transfers and assigns its rights to Program Fund Moneys to Renovate America, Inc. or its affiliates.

Authorized Contractor Representative Signature

Date

Printed Name

HERO Funding Amount to be paid:

<input type="checkbox"/>	Contractor	_____
<input type="checkbox"/>	Property Owner	_____
<input type="checkbox"/>	Payment Designee	_____

Payment Designee:

Company Name: _____

Contact Name: _____

Phone: _____

Address: _____

Installed HERO Product Details

Heating, Cooling & Ventilation – Air Conditioners	
Product Category Type:	Heating, Cooling & Ventilation – Air Conditioners
AHRI Number:	<number>
Trade/Brand:	<brand>
Outdoor Unit Manufacturer:	<manufacturer>
Outdoor Unit Model:	<model>
Indoor Unit Manufacturer:	<manufacturer>
Indoor Unit Model:	<model>
Furnace Model:	<model>
Cooling Capacity (BTUh):	<units>
SEER:	<seer number>
EER:	<eer number>
Quantity:	<quantity>
Programmable Thermostat:	Yes

<p>I agree the products listed above have been installed and the work is complete. I agree that payments should be made for the products and labor.</p>	<p>_____</p> <p>Property Owner Initial</p>
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Property Owner

HERO Products Installed	
1	Heating, Cooling & Ventilation – Air Conditioners
Total Requested Product Amount	\$10,000.00
HERO Program administration costs and recording fees ¹	\$809.00
Interest before first payment ²	\$581.52
TOTAL AMOUNT TO BE FINANCED FOR THIS PROJECT³	\$11,390.52

HERO Payment to Contractor (HERO pays to contractor or other payee upon project funding)⁴	\$10,000.00
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1. Program costs to provide financing for your improvement. These costs include municipal bond issuance costs and the cost of processing your paperwork. It also includes the fees paid to the county to record and process the financing documents.
2. This is the interest accrued from your estimated closing date to September 2nd of the year in which you make your first assessment payment, in accordance with the Improvement Bond Act of 1915.
3. All amounts are estimates based on a project expiration date of 06/22/2019. Actual amounts will be calculated based on the actual project completion date, and will be listed on the Final Payment Summary.
4. In connection with this transaction, Renovate America, Inc. may require that your contractor pay Renovate America, Inc. a fee. This fee may be deducted from the amount to be paid to your contractor. Your contractor has agreed not to charge you a different amount for a home improvement project if you finance that project through the program instead of paying for the project with cash.

IMPORTANT NOTICE: PLEASE DO NOT SIGN THIS DOCUMENT UNTIL THE WORK IS COMPLETE

I, the undersigned, certify that:

1. I am authorized to execute this certificate on behalf of all of the property owners.
2. The products identified in the Install HERO Product Details above are the products installed on my property, which is identified on the cover page hereof, and are completed to the satisfaction of all property owners;
3. I understand that the selection of the contractor and acceptance of the materials used and the work performed is my responsibility and that the HERO Program, County of Los Angeles, and/or Renovate America, Inc. do not endorse any contractor or any other person involved with the products, the design of the products, or warrant the economic value, energy savings, safety, durability or reliability of the products;
4. I understand that the HERO Program has the right to inspect any installed products listed on this Completion Certificate;
5. The Total Requested Product Amount will be used solely to pay for the installation of products set forth in the Installed HERO Product Details section above;
6. I have obtained, or will obtain, all necessary final permits and/or inspections required in my jurisdiction;
7. I hereby transfer and assign my right to HERO Funding to the Contractor and/or Payment Designee for the Total Approved Financing Amount for this Completion Certificate if I indicated that payment should be paid to the Contractor and/or Payment Designee above;
8. I hereby transfer and assign my right to Program Fund Moneys to Renovate America, Inc. or its affiliates; and
9. **I have the authority to make all certifications and sign this Completion Certificate for and on behalf of all other Property Owners.**

 Joe Smith

 Date

Exhibit 2

California HERO Program ASSESSMENT CONTRACT (RESIDENTIAL)

This Assessment Contract (this "Contract") is made and entered into as of this 8th day of November, 2014, by and between the Western Riverside Council of Governments, a joint exercise of powers authority (the "Authority"), and the record owner(s), [REDACTED], (the "Property Owner"), of the fee title to the real property identified 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; and

WHEREAS, the Authority has established the California HERO Program (the "HERO Program") to allow the financing of certain renewable energy, energy efficiency and water efficiency improvements and electric vehicle charging infrastructure 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 Sections 8500 and following) (the "1915 Act") upon the security of the unpaid contractual assessments; and

WHEREAS, Chapter 29 provides that assessments may be levied under its provisions 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; and

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 and which has elected to participate in the HERO Program (the "Participating Entity"); and

WHEREAS, the Property is located in the boundaries of the Participating Entity, and the Participating Entity has consented to (i) owners of property within its jurisdiction (the "Participating Property Owners") participating in the HERO Program and (ii) the Authority conducting assessment proceedings under Chapter 29 and issuing bonds under the 1915 Act to finance the Authorized Improvements; and

WHEREAS, pursuant to Chapter 29, the Authority and the Property Owner wish to enter into a contract pursuant to which the Property Owner would agree to pay an assessment in order to finance the installation on the Property of the Authorized Improvements described in **Exhibit A** (the "Improvements") and the Authority would 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:

Exhibit 3



NOTICE OF ASSESSMENT

RECORDING REQUESTED BY AND

WHEN RECORDED MAIL TO

Secretary to Executive Committee
Western Riverside Council of Governments
4080 Lemon Street, 3rd Floor. MS1032
Riverside, CA 92501-3609

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

(Recorded Pursuant to California Streets & Highways Code section 5898.32)

NOTICE OF ASSESSMENT

**WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
LIMITED OBLIGATION IMPROVEMENT BONDS
(ENERGY EFFICIENCY AND WATER CONSERVATION PROGRAM FOR
WESTERN RIVERSIDE COUNTY)**

On January 12, 2011, the Executive Committee of the Western Riverside Council of Governments ("WRCOG"), County of Riverside, State of California, adopted its Resolution No. 07-11 (the "Resolution") whereby the Executive Committee approved a report (the "Program Report") prepared by the Executive Director, in accordance with Section 5898.22 of Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code ("Chapter 29"), established the WRCOG Energy Efficiency and Water Conservation Program for Western Riverside County (the "Program") to be implemented as provided in the Program Report, confirmed that voluntary contractual assessments may be levied against parcels within the jurisdictions of the member agencies of WRCOG participating in the Program (the "Program Area") within the parameters of the Program Report to finance certain distributed generation renewable energy sources, energy or water efficiency improvements, or electrical vehicle charging infrastructure (the "Improvements").

Pursuant to the requirements of Sections 5898.32 of the Streets and Highways Code, the undersigned Secretary of the Executive Committee of WRCOG, at the direction of such Executive Committee, HEREBY GIVES NOTICE that pursuant to Chapter 29, the Resolution, and the Program Report, as initially approved and as amended to date, WRCOG and the record owner(s) (the "Record Owners") of the real property described on Exhibit "A" to this Notice, attached hereto and incorporated herein by reference (the "Property") have entered into an assessment contract with WRCOG (the "Assessment Contract"), a copy of which is contained in Exhibit "B" to this Notice, attached and incorporated herein by this reference. Pursuant to the Assessment Contract, WRCOG is making a disbursement in the principal amount of \$ (the "Disbursement") to the Record Owners of the Property to finance the acquisition and installation and/or construction on the Property of the Improvements identified in the Assessment Contract. Pursuant to the Assessment Contract, the Record Owners agree that the Property is subject to an assessment levied against the Property pursuant to Chapter 29 in the principal amount of the Disbursement, as provided in the Assessment Contract, together with fees and interest thereon, for a total Assessment in the amount of \$ (the "Assessment") as set forth in the payment schedule on Exhibit "B" to the Assessment Contract. In addition, so long as the Assessment is unpaid, the Record Owners agree that the Property is subject to an annual



administrative assessment levied against the Property to pay costs of WRCOG which result from the administration and collection of the Assessment and from the administration or registration of any associated bonds or other financing arrangement, as described in the Program Report, and from the administration of any reserve fund and other related funds (the "Annual Administrative Assessment"). The Annual Administrative Assessment shall not exceed the amount authorized pursuant to the HERO Residential Program Handbook.

NOTICE IS FURTHER GIVEN that upon the recording of this notice in the office of the County Recorder, the Assessment shall become a lien upon the Property. In addition, the Annual Administrative Assessment shall become a lien upon the Property at the same time as property taxes upon the Property become a lien each year.

Dated:

Western Riverside Council of Governments
Program Administrator

By: _____
Authorized Officer



EXHIBIT "A"

IDENTIFICATION OF PROPERTY OWNERS AND PROPERTY DESCRIPTION

Owner(s) Names:

Address:

APN(s):

County:

Legal Description:



Exhibit E

PAYMENT OF CONTRACTUAL ASSESSMENT REQUIRED

RECORDING REQUESTED BY &
WHEN RECORDED RETURN TO:

Secretary to Executive Committee
Western Riverside Council of Governments
4080 Lemon Street, 3rd Floor. MS1032
Riverside, CA 92501-3609

PAYMENT OF CONTRACTUAL ASSESSMENT REQUIRED

Pursuant to the requirements of Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code, as amended, commencing with Section 5898.10 (the "Act"), including without limitation Section 5898.24(d) of the Act, and in furtherance of Section 1102.6b of the California Civil Code, Western Riverside Council of Governments ("WRCOG") hereby provides notice of the levy and collection by WRCOG of a contractual assessment under the WRCOG Energy Efficiency and Water Conservation Program for Western Riverside County (the "Program"), established and authorized pursuant to the Act. Pursuant to the Act and the Program, WRCOG and the current owner(s) described below (the "Owners") of the real property (the "Property") described herein have entered into that certain assessment contract entitled, "Assessment Contract," dated as of, by and between WRCOG and the Owners (the "Assessment Contract"). Pursuant to the Assessment Contract and the Act, the Owners have requested and voluntarily agreed to WRCOG's imposition of a contractual assessment against the Property (the "Contractual Assessment"), which is generally collected by the County of Riverside, on behalf of WRCOG, through the consolidated property tax bill.

Current Owner(s):

Legal Description of Property and Assessor's Parcel Number: See Exhibit "A" attached hereto.

Annual Amount of Contractual Assessment: See Exhibit "B" attached hereto.

Expiration of the Contractual Assessment: The date upon which the Contractual Assessment and all accrued interest thereon, together with any applicable penalties, costs, fees and other charges, have been paid.

Purpose for Which Funds Will Be Used: The funds from the Contractual Assessment will finance the acquisition and construction and/or installation on the Property of the renewable energy system(s), energy efficiency and/or water efficiency improvement(s) that are permanently affixed to the Property and identified in the Assessment Contract (the "Work").

Contact Information: The specific contact information for WRCOG and more information regarding the Contractual Assessment may be obtained from the Program Manager at 4080 Lemon Street, 3rd Floor, Riverside, California (address), tel: (951) 955-7985.

Dated:

Western Riverside Council of Governments
Program Administrator



By: _____ Authorized Officer



Exhibit F

COMBINED NOTICE OF ASSESSMENT AND PAYMENT OF CONTRACTUAL ASSESSMENT REQUIRED

RECORDING REQUESTED BY AND

WHEN RECORDED MAIL TO

Secretary to Executive Committee
Western Riverside Council of
Governments 4080 Lemon Street,
3rd Floor. MS1032 Riverside, CA
92501-3609

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

(This is a voluntary contractual assessment lien pursuant to Streets & Highways Code §5868.31 and recorded pursuant to Sts. & Hy. Code §5898.32 and is not subject to recorder fees per Gov't Code §27387)

NOTICE OF ASSESSMENT AND PAYMENT OF CONTRACTUAL ASSESSMENT REQUIRED

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS LIMITED OBLIGATION IMPROVEMENT BONDS (CALIFORNIA HERO PROGRAM)

Pursuant to the requirements of Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code, as amended, commencing with Section 5898.10 (the "Act"), including without limitation Sections 5898.24(d) and 5898.32 of the Act, and in furtherance of Section 1102.6b of the California Civil Code, Western Riverside Council of Governments ("WRCOG"), County of Riverside, State of California, hereby provides notice of the levy and collection by WRCOG of a contractual assessment under the WRCOG California HERO Program (the "Program"), established and authorized pursuant to the Act.

The Executive Committee of the WRCOG approved a report (the "Program Report") prepared by the Executive Director, in accordance with Section 5898.22 of the Act, established the Program to be implemented as provided in the Program Report, confirmed that voluntary contractual assessments may be levied against parcels within the jurisdictions of the member agencies of WRCOG participating in the Program (the "Program Area") within the parameters of the Program Report to finance certain distributed generation renewable energy sources, energy or water efficiency improvements, or electrical vehicle charging infrastructure (the "Improvements").

Pursuant to the requirements of Sections 5898.24(d) and 5898.32 of the Streets and Highways Code, the undersigned Secretary of the Executive Committee of WRCOG, at the direction of such Executive Committee, HEREBY GIVES NOTICE that pursuant to Chapter 29, the Resolution, and the Program Report, as initially approved and as amended to date, that:



1. **Record Owners and Legal Description of Property.** WRCOG and **John Smith**, the record owner(s) (the “Record Owners”) of the real property described on Exhibit “A” to this Notice, attached hereto and incorporated herein by reference (the “Property”) have entered into an assessment contract with WRCOG (the “Assessment Contract”), a copy of which is contained in Exhibit “C” to this Notice, attached and incorporated herein by this reference. Pursuant to the Assessment Contract and the Act, the Record Owners have requested and voluntarily agreed to WRCOG’s imposition of a contractual assessment against the Property (the “Contractual Assessment”), which is generally collected by the County of _____, on behalf of WRCOG, through the consolidated property tax bill.

2. **Purpose for Which Funds Will Be Used.** The funds from the Contractual Assessment will finance the acquisition and construction and/or installation on the Property of the renewable energy system(s), energy efficiency and/or water efficiency improvement(s) that are permanently affixed to the Property and identified in the Assessment Contract.

3. **Total and Annual Amount of Contractual Assessment.** Pursuant to the Assessment Contract, WRCOG is making a disbursement in the principal amount of \$_____. (the “Disbursement”) to the Record Owners of the Property to finance the acquisition and installation and/or construction on the Property of the Improvements identified in the Assessment Contract. Pursuant to the Assessment Contract, the Record Owners agree that the Property is subject to an assessment levied against the Property pursuant to Chapter 29 in the principal amount of the Disbursement, as provided in the Assessment Contract, together with fees and capitalized interest thereon, for a total Contractual Assessment in the amount of \$ _____ as set forth in the payment schedule on Exhibit “B” attached hereto.

4. **Expiration of the Contractual Assessment.** So long as the Assessment is unpaid, the Record Owners agree that the Property is subject to an annual administrative assessment levied against the Property to pay costs of WRCOG which result from the administration and collection of the Assessment and from the administration or registration of any associated bonds or other financing arrangement, as described in the Program Report, and from the administration of any reserve fund and other related funds (the “Annual Administrative Assessment”). The Annual Administrative Assessment shall not exceed the amount authorized pursuant to the HERO Residential Program Handbook.

NOTICE IS FURTHER GIVEN that upon the recording of this notice in the office of the County Recorder, the Assessment shall become a lien upon the Property. In addition, the Annual Administrative Assessment shall become a lien upon the Property at the same time as property taxes upon the Property become a lien each year.

The specific contact information for WRCOG and more information regarding the Contractual Assessment may be obtained from the Program Manager at 4080 Lemon Street, 3rd Floor, Riverside, California (address), tel: (951) 955-7985.

Date of Assessment: 10/17/2014

Western Riverside Council of Governments Program Administrator
By: _____



Authorized Officer



EXHIBIT "A"

IDENTIFICATION OF PROPERTY OWNERS AND PROPERTY DESCRIPTION

Record Owner(s) Names: John
Smith

Address: 4141 Capital St, San Diego, CA 92115

APN(s): 123123124

County: San Diego

Legal Description:

THE FOLLOWING DESCRIBED REAL PROPERTY IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA: LOT 77, PARK VISTA UNIT NO. 2, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 2900, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID SAN DIEGO COUNTY, AUGUST 20, 1952.



EXHIBIT "B"
**SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS, INCLUDING PRINCIPAL, INTEREST AND
THE ANNUAL ASSESSMENT ADMINISTRATIVE FEE**

Tax Year	Principal	Interest	Total Principal and Interest	Current Annual Assessment Administrative Fee**	Total Annual Assessment Installment
2015-2016					
2016-2017					
2017-2018					
2018-2019					
2019-2020					
2020-2021					
2021-2022					
2022-2023					
2023-2024					
2024-2025					

**Subject to increase pursuant to the Assessment Contract.



EXHIBIT "C"
ASSESSMENT CONTRACT

Exhibit 4

PACEFUNDING PROGRAM

ADMINISTRATION AGREEMENT

1. PARTIES AND DATE.

This PACEfunding Program Administration Agreement is made and entered into as of _____, 2017, by and between the Western Riverside Council of Governments, a California public agency (“WRCOG”) and PACE Funding Group LLC, a California limited liability corporation (“PACEfunding”). WRCOG and PACEfunding are sometimes individually referred to as a “Party” and collectively as the “Parties.” This agreement may be referred to herein as the “Administration Agreement” or the “Agreement.”

2. RECITALS.

2.1 The Executive Committee of WRCOG (the “Executive Committee”) has established a property assessed clean energy (“PACE”) program designated as the Energy Efficiency and Water Conservation Program for Western Riverside County (the “WRCOG Program” or “Program”) pursuant to the provisions of Chapter 29 of Part 3, Division 7 of the California Streets and Highways Code (commencing at Section 5898.12) (“Chapter 29”), the Joint Powers Agreement of WRCOG originally made and entered into April 1, 1991, as further amended to date (as amended, the “JPA”), and separate Implementation Agreements entered into pursuant to the JPA by and between WRCOG and its member agencies that elected to participate in the WRCOG Program (the “Member Agencies”), to assist owners of commercial properties (the “Commercial Properties”) or residential properties (“Residential Properties”) within the jurisdictional boundaries of such Member Agencies to finance the cost of installation of distributed generation renewable energy sources or energy efficiency or water conservation improvements or electric vehicle charging infrastructure (the “Eligible Products”) that are permanently fixed to the properties of such owners.

2.2 As a part of such proceedings, the Executive Committee initially approved and has subsequently amended a report prepared pursuant to and addressing all of the matters set forth in Streets and Highways Code Section 5898.22 and 5898.23 (as amended, the “Program Report”), including a map showing the boundaries of the territory within which the voluntary contractual assessments may be offered (the “WRCOG Program Area”), a form of contract specifying the terms and conditions that would be agreed to by an owner of property within such boundaries and WRCOG (each, a “WRCOG PACE Program Assessment Contract”), a statement of policies of WRCOG concerning such voluntary contractual assessments and a plan for raising a capital amount required to pay for the work performed pursuant to the voluntary contractual assessments.

2.3 As a further part of such proceedings, the Executive Committee provided that one or more series of limited obligation improvement bonds would be issued under the Bond Act of 1915, being Division 10 of the Streets & Highways Code of the State of California (the “1915 Bond Act”) or other financing relationships would be entered for the purpose of financing the installation of Eligible Products.

2.4 As a part of such proceedings, the Executive Committee provided that one or more Series of Bonds would be issued under the 1915 Bond Act or other financing relationships would be entered for the purpose of financing the installation of Eligible Products.

2.5 Additionally, the Executive Committee WRCOG authorized PACEfunding to administer and finance a separate program (the “PACEfunding Program”) to finance the installation of Eligible Improvements on Residential Properties and Commercial Properties within the WRCOG Program Area.

2.6 WRCOG and PACEfunding now desire and intend to enter into this agreement pursuant to which PACEfunding shall provide administrative services for the PACEfunding Program (the “Administration Agreement”) and a Master Bond Purchase Agreement (the “Master BPA”) to provide for and establish the terms and conditions pursuant to which WRCOG will sell to PACEfunding and PACEfunding shall purchase from WRCOG the limited obligation improvement bonds issued by WRCOG (the “Bonds”) to finance the installation of Eligible Improvements on Residential Properties and Commercial Properties the owners of which elect to participate in one of the PACEfunding Program.

2.7 The Parties hereto desire and that this Administration Agreement and this Master BPA taken together represent the operating relationship between the parties pertaining to the PACEfunding Program.

3. THE PURPOSE OF THE AGREEMENT.

WRCOG and PACEfunding desire to enter into the Agreement to establish the terms and conditions pursuant to which PACEfunding shall provide administration services to WRCOG for both the PACEfunding Program for Commercial Properties participating in such programs (the “Program Administration Services”) as set forth in Exhibit B attached hereto and incorporated herein by this reference. In respect to such services, PACEfunding desires to perform and assume responsibility for the provision of such Program Administration Services on the terms and conditions set forth in this Agreement. PACEfunding represents that it is legally qualified to provide such Program Administration Services, and has or will obtain all necessary licenses and authorizations from the State of California and any agency of the federal government with the authority to regulate the provision of such Program Administration Services. The Parties intend that terms and conditions providing for the purchase of the limited obligation improvement bonds to be issued by WRCOG to finance the installation of Eligible Products on Commercial Properties and Residential Properties located within the Program Areas shall be incorporated in the Master BPA to be entered into between the Parties concurrently with this Agreement.

WRCOG desires to engage PACEfunding to render such Program Administration Services as set forth in and pursuant to the terms and conditions of this Agreement.

4. TERMS.

4.1 Scope of Program Administration Services and Term of Agreement.

4.1.1 General Scope of Program Administration Services. PACEfunding promises and agrees to provide Program Administration Services and to furnish financing necessary to provide labor, materials, tools, equipment, services, and incidental and customary work necessary to fully and adequately implement the provision of the Program Administration Services. All Program Administration Services shall be subject to, and performed in accordance with, this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state and federal laws, rules and regulations.

In the event that the Program Administration Services conflict with the Program Report, the provisions of the Program Report shall prevail; *provided that* any changes to the Program Report subsequent to the date hereof, shall be provided to PACEfunding and PACEfunding shall expressly acknowledge and agree to any such changes before they shall be deemed to control pursuant to this Section 4.1.1.

4.1.2 Term. The initial term of this Agreement shall commence on October 2, 2017 and shall terminate on December 31, 2019 and shall automatically extend for an additional year at the end of each succeeding year provided PACEfunding has at all times performed pursuant to and is in compliance with the terms and conditions of this Agreement or, unless earlier terminated as provided herein.

4.2 Responsibilities of PACEfunding and WRCOG.

4.2.1 Control and Payment of Subordinates; Independent Contractor and Other Costs. The Program Administration Services shall be performed by PACEfunding or one of its affiliates, provided that PACEfunding may delegate to a third party services provider its duties and obligations with respect to the Program Administration Services upon obtaining the written consent of WRCOG, provided that (a) any such delegation by PACEfunding shall not relieve PACEfunding of the duties or obligations so delegated and (b) PACEfunding remain liable for the activities of such affiliate or third party service provider to whom PACEfunding delegates any such duties or obligations, *provided further however*, in any case, PACEfunding may use third party services providers to perform support services. PACEfunding will determine the means, methods and details of performing the Program Administration Services subject to the requirements of this Agreement. WRCOG retains PACEfunding on an independent contractor basis and not as an employee. Any personnel performing Program Administration Services under this Agreement on behalf of PACEfunding shall not be employees of WRCOG and shall at all times be under PACEfunding's exclusive direction and control. PACEfunding shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Program Administration Services under this Agreement and as required by law. PACEfunding shall be responsible for all reports and obligations respecting such personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers compensation insurance.

4.2.2 Rights to provide Program Administration Services to other entities and limitations thereon.

(a) PACEfunding shall market the PACEfunding Program to cities within the WRCOG Program Area and the County of Riverside (the “County”) only on behalf of WRCOG.

(b) PACEfunding hereby acknowledges that WRCOG has appointed and may, in its sole discretion, appoint additional administrators for the WRCOG Program.

(c) WRCOG hereby acknowledges that PACEfunding has entered into a professional services agreement dated September 10, 2015 (the “CSCDA Agreement”) with the California Statewide Communities Development Authority (“CSCDA”) to provide program administration services to a competing PACE program.

(d) PACEfunding may continue to provide administrative services to CSCDA outside of the WRCOG Program Area. In the event PACEfunding is required to originate assessment contracts through CSCDA for any Member Agency pursuant to the terms of the CSCDA Agreement or any consent obtained thereof, PACEfunding shall immediately cease originating assessment contracts until such time PACEfunding has obtained approval to originate assessment contracts through CSCDA from the governing board of the Member Agency at a special or regular meeting of such governing board.

(e) Additionally, PACEfunding may enter into agreements to provide administrative services to other PACE programs within WRCOG’s jurisdiction (each an “Other Issuer”); provided, however, PACEfunding must (a) obtain prior written consent of WRCOG and (b) any term of such agreement shall not limit PACEfunding’s ability to originate WRCOG PACE Assessment Contracts through the WRCOG Program.

(f) If a city or county currently part of the WRCOG Program requests, of its own accord, PACEfunding to provide services similar to Program Administration Services for such city or county through an Other Issuer, PACEfunding shall have the right, but not the obligation, to perform such services in such city, county or portion thereof for such Other Issuer; provided that (i) PACEfunding shall provide WRCOG with prior notice of such a request, (ii) WRCOG shall have the right to meet with such city or the County to discuss such request any time within 30 days of such notice and (iii) PACEfunding shall use commercially reasonable efforts to facilitate and attend such meetings, provided that such right of WRCOG to have such meeting shall not impair PACEfunding’s efforts to provide the requested services to a city or county 30 days after notice to WRCOG.

4.2.3 Schedule of Responsibilities. PACEfunding shall perform Program Administration Services and WRCOG shall perform the WRCOG Responsibilities (defined in 4.2.3 below) upon and pursuant to a Schedule of Responsibilities to be agreed upon by the WRCOG Representative (defined in 4.2.7 below) and the PACEfunding Representative (defined in 4.2.8 below) which Schedule of Responsibilities shall be executed by both the WRCOG Representative and PACEfunding Representative indicating the approval and acceptance of such

schedule and the incorporation of such schedule into this Agreement, shall thereafter be attached to this Agreement as Exhibit C hereto and shall thereafter be incorporated herein by this reference. PACEfunding represents that it has the professional and technical personnel and financial resources required to perform Program Administration Services in conformance hereto. WRCOG represents that it has the professional personnel and financial resources required to perform the WRCOG Responsibilities in conformance hereto.

4.2.4 WRCOG Responsibilities. In order to facilitate PACEfunding's performance of Program Administration Services, WRCOG shall respond to PACEfunding's requests and submittals as set forth in the Schedule of Responsibilities, or otherwise in a prompt and timely manner including reviewing, approving, acting upon and/or executing documents listed in the Schedule of Responsibilities.

4.2.5 Compensation for Performance of Program Administration Services. Except as set forth in the Schedule of Responsibilities or otherwise agreed to by the Parties, WRCOG has no responsibility to directly pay PACEfunding and the only payment to PACEfunding for the provision or the performance of its Program Administration Services shall be from the proceeds of the Bonds to be issued to finance the Eligible Improvements for a property participating in one of the PACEfunding Program. PACEfunding will be compensated for its Program Administration Services performed relating to the administration of the PACEfunding Program as follows: at the time of the issuance of a Bond or a Series of Bonds to fund Eligible Improvements for a Residential Property or Commercial Property participating in the PACEfunding Program, PACEfunding will receive a one-time fee for its Program Administration Services in the amounts as shall be mutually agreed to by the Parties from time to time and payable solely from the proceeds of the Bonds. As of the effective date of this Agreement, the Parties agree that such fee shall be equal to 5.95% of the project cost financed by the Bonds.

4.2.6 Conformance to Applicable Requirements. At the beginning of each calendar year, PACEfunding shall meet with the WRCOG Representative and other WRCOG representatives to review and approve PACEfunding's marketing and customer service plans for the PACEfunding Program. To the extent there are material changes to the marketing and customer service plans, PACEfunding shall meet with the WRCOG Representative and other WRCOG representatives to review and approve the revised marketing and customer service plans. PACEfunding and WRCOG shall schedule monthly meetings at PACEfunding offices, a location otherwise mutually agreed to by the Parties or via teleconference, for an update on the PACEfunding Program.

4.2.7 The WRCOG Representative. WRCOG hereby designates Rick Bishop, Executive Director, or his or her designee, to act as its representative for the performance of this Agreement (the "WRCOG Representative"). The WRCOG Representative shall have the power to act on behalf of WRCOG for all purposes under this Agreement. PACEfunding shall not accept direction or orders from any person on behalf of WRCOG other than the WRCOG Representative or his or her designee. The WRCOG Representative shall provide written notice to PACEfunding of the appointment or the rescission of the appointment of any designee of the WRCOG Representative hereunder.

4.2.8 The PACEfunding Representative. PACEfunding hereby designates James Vergara, Managing Director, or his or her designee, to act as its representative for the performance of this Agreement (the “PACEfunding Representative”). The PACEfunding Representative shall have full authority to represent and act on behalf of PACEfunding for all purposes under this Agreement. The PACEfunding Representative shall supervise and direct Program Administration Services, using his or her best skill and attention, and shall be responsible for all means, methods, techniques, sequences and procedures and for the satisfactory coordination of all portions of Program Administration Services under this Agreement. The PACEfunding Representative shall provide written notice to the WRCOG Representative of the appointment or the rescission of the appointment of any designee of the PACEfunding Representative hereunder.

4.2.9 Coordination of Program Administration Services. PACEfunding agrees to work closely with WRCOG staff and WRCOG’s other consultants engaged to assist WRCOG in the PACEfunding Program (the “PACEfunding Program Consultants”) in the performance of Program Administration Services and shall be reasonably available to WRCOG’s staff and the PACEfunding Program Consultants.

4.2.10 Standard of Care. PACEfunding shall perform all Program Administration Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. PACEfunding represents and maintains that it is skilled in the professional calling and has the financial resources necessary to perform Program Administration Services. PACEfunding warrants that all employees and/or agents of PACEfunding shall have sufficient skill and experience to perform Program Administration Services assigned to them. Finally, PACEfunding represents that it, its employees and agents have, or will have prior to the performance of Program Administration Services, all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform Program Administration Services, and that such licenses and approvals shall be maintained throughout the term of this Agreement. PACEfunding shall perform, at its own cost and expense and without reimbursement from WRCOG, any services necessary to correct errors or omissions which are caused by PACEfunding’s failure to comply with the standard of care provided for herein.

4.2.11 Laws and Regulations. PACEfunding shall keep itself fully informed of and in compliance in all material respects with all local, state and federal laws, rules and regulations in any manner affecting the performance of the PACEfunding Program or Program Administration Services, including without limitation, all Cal/OSHA requirements and all applicable federal and state securities laws and regulations, and shall give all notices required by law. PACEfunding shall be liable for all violations of such laws, rules and regulations in connection with Program Administration Services. If PACEfunding performs or fails to perform any work contrary to such laws, rules and regulations, PACEfunding shall be solely responsible for all costs arising therefrom. PACEfunding shall defend, indemnify and hold WRCOG, its officials, directors, officers, employees and agents free and harmless, pursuant to the indemnification provisions of this Agreement, from any claim or liability arising out of any failure or alleged failure by PACEfunding to comply with such laws, rules or regulations.

4.3 Accounting Records – Maintenance and Inspection.

PACEfunding shall maintain complete and accurate records, consistent with its records retention policy, which policy shall be commercially reasonable and shall take into account the nature and duration of the instruments to be issued in connection with the Programs. All such records shall be clearly identifiable. PACEfunding shall, during PACEfunding’s standard business hours and upon at least three (3) business days’ notice, allow a representative of WRCOG during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. PACEfunding shall, during PACEfunding’s standard business hours and upon at least three (3) business days’ notice, allow inspection of all work, data, documents, proceedings, and activities related to the Agreement. PACEfunding shall cooperate with WRCOG to facilitate WRCOG’s compliance with its responsibilities under the California Public Records Act in relation to the Program Administration Services.

4.4 General Provisions.

4.4.1 Grounds for Termination – At Will. Either WRCOG or PACEfunding may, by written notice to the other party, terminate the whole or any part of this Agreement at any time and without cause by giving written notice to such party of such termination, and specifying the effective date thereof, at least ninety (90) days before the effective date of such termination. Upon termination by WRCOG, PACEfunding shall be compensated only for those services which have been adequately rendered to WRCOG, and PACEfunding shall be entitled to no further compensation.

4.4.1.1 Effect of Termination. Upon notification of termination PACEfunding shall be required to notify WRCOG of all pending applications for WRCOG Assessment Contracts to fund Eligible Improvements to be installed on Residential and Commercial Properties originated by PACEfunding during the course of PACEfunding’s provision of Program Administrative Services hereunder (each, a “Pending PACEfunding Program Assessment Contract”) and PACEfunding shall have the right but not the obligation to close such Pending WRCOG Assessment Contracts subject to the review of the appropriate documentation by WRCOG. Except in the case previously described upon termination, PACEfunding shall be compensated in the amount and from the sources set forth in Section 4.2.4 only for those Program Administration Services which have been adequately rendered, and PACEfunding shall be entitled to no further compensation. If this Agreement is terminated as provided in this Section 4.4, WRCOG may require PACEfunding to provide all finished or unfinished documents and data and other information of any kind prepared by PACEfunding in connection with the performance of services under this Agreement. PACEfunding shall be required to provide such document and other information within fifteen (15) days of the request.

4.4.1.2 Additional Services. In the event this Agreement is terminated in whole or in part as provided in Section 4.4.1, WRCOG may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated upon effectiveness of such termination.

4.4.1 Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective Parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

PACEfunding: PACEfunding LLC
750 University Avenue, Suite 240
Los Gatos, CA 95032
Attn: Robert Giles, CEO

WRCOG: Western Riverside Council of Governments
4080 Lemon Street, 3rd Floor, MS 1032
Riverside, CA 92373
Attn: Rick Bishop
Facsimile: (951) 787-7991

With copy to: Best Best & Krieger LLP
3390 University Avenue, 5th Floor
Riverside, CA 92502
Attn: Steven DeBaun, Esq., General Counsel, WRCOG
Facsimile: (951) 686-3083

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the Party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

4.4.2 Confidentiality, Intellectual Property and Data Compilation.

(a) *Confidentiality.* Except as otherwise set forth in this Agreement, all ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other documents and data provided by either Party to the other Party (including any copies or manuscripts of such information produced by a Party pursuant to this Agreement) or otherwise including any financial structure and financing approach of PACEfunding Program in connection with the performance of this Agreement shall be held confidential by the other Party. Nothing furnished to either Party which is otherwise known to the receiving Party prior to such disclosure or is generally known, or has become known, to the related industry not in violation of this Agreement, shall be deemed confidential. PACEfunding shall not use WRCOG's name or insignia in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of WRCOG. Notwithstanding the above, any documents prepared for the PACEfunding Program that PACEfunding explicitly identifies in writing as intended to be provided to the public shall not be subject to the limitations of this Section 4.4.3.

(b) *Intellectual Property.* WRCOG expressly acknowledges and agrees that any and all computer software and all source code thereof, used or developed by PACEfunding ("Proprietary Software") in performing the Services is proprietary to PACEfunding or one of its

affiliates and PACEfunding and its affiliates, or its or their licensors, shall at all times exclusively own all rights, title, and interest in such software and Proprietary Software, including all intellectual property rights contained therein.

(c) Data Compilation. WRCOG acknowledges and agrees that PACEfunding or its affiliate, or its licensors, will have spent substantial time and effort in collection and compiling data and information (the “Data Compilations”) in connection with the Program Administration Services and that such Data Compilations may be used by PACEfunding (or such licensors) for their own purposes, including, without limitation, sale or distribution to third parties; provided, however, that PACEfunding will not, and shall ensure that its licensors will not, sell or distribute any of WRCOG’s confidential information that may be contained in such Data Compilations, unless such confidential information is used only on an aggregated and anonymous basis.

4.4.3 Cooperation; Further Acts. The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be reasonably necessary, appropriate or convenient to attain the purposes of this Agreement.

4.4.4 Arbitration and Equitable Relief. This Section shall govern the resolution of all controversies or claims between WRCOG and PACEfunding that arise from this Agreement and any modifications hereto. The provisions of this Section, and the entitlement of one party to obtain damages, or other such appropriate legal or equitable remedies, for a breach by the other party, shall survive termination of this Agreement. Wherever this Agreement makes reference to any means of resolving and dispute between the Parties or termination of the Agreement, the Parties agree to follow the below arbitration procedures.

(a) Arbitration. In consideration of rights and obligations set forth by each party in this Agreement, PACEfunding and WRCOG agree that any and all controversies, claims, or disputes with anyone (including WRCOG and any employee, officer, director, volunteer of WRCOG in his, her or its capacity as such or otherwise), whether brought on any individual, group or class basis, arising out of, relating to, or resulting from PACEfunding’s performance of the Program Administration Services under this Agreement or the termination of this Agreement, including any breach of this Agreement by either Party, shall be subject to binding arbitration in accordance with the Comprehensive Arbitration Rules & Procedures (the “Rules”) of the Judicial Arbitration and Mediation Services (“JAMS”), as they may be amended from time to time where not inconsistent with the further provisions hereof. The Parties hereby agree that judgment upon the award rendered by the arbitrator(s) may be entered in Riverside Superior Court. The Parties submit to the jurisdiction of the Riverside Superior Court for purposes enforcing any such award and entering judgment thereon.

(b) Procedure. Appointment of the arbitrator pursuant to this Section shall be in accordance with the provisions of the Rules, which Rules provide a procedure for the selection of an arbitrator, or arbitration panel if agreed to by the Parties. PACEfunding and WRCOG agree that the arbitrator shall have the power to decide any motions brought by any Party to the arbitration, including motions for summary judgment and/or adjudication, motions to dismiss and demurrers, and motions for class certification, prior to any arbitration hearing.

PACEfunding and WRCOG also agree that the arbitrator shall have the power to award any remedies available under applicable law, and that the arbitrator shall award attorneys' fees and costs to the prevailing Party except as prohibited by law. Costs shall be allocated as set forth in the Rules. PACEfunding and WRCOG agree that the decision of the arbitrator shall be in writing. The written opinion of the arbitrator or arbitrators, as the case may be, shall be governed by the Rules. The arbitrator(s) shall have the powers established by JAMS, as delineated in the Rules, but shall have no authority to revise or vary the terms of this Agreement or the Parties' respective rights and obligations hereunder. Except as provided by the Rules and this Agreement, arbitration shall be the sole, exclusive and final remedy for any dispute between PACEfunding and WRCOG. Accordingly, except as provided for by the Rules and this Agreement, neither PACEfunding nor WRCOG will be permitted to pursue court action regarding claims that are subject to arbitration.

(c) Availability of Injunctive Relief. PACEfunding and WRCOG agree that either PACEfunding or WRCOG may petition a court for provisional relief, including injunctive relief. PACEfunding and WRCOG understand that any breach or threatened breach of such an agreement (including this Agreement) will cause irreparable injury and that money damages will not provide an adequate remedy therefor and both WRCOG and PACEfunding hereby consent to the issuance of an injunction.

4.4.5 Entire Agreement. This Agreement contains the entire Agreement of the Parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. However, the Parties acknowledge that the Master Bond Purchase Agreement executed between the Parties is dated concurrently herewith and contains related subject matter, which the Parties intend to respect and be bound by.

4.4.6 Governing Law. This Agreement shall be governed by the laws of the State of California. Venue shall be in Riverside County.

4.4.7 Time of Essence. Time is of the essence for each and every provision of this Agreement.

4.4.8 Successors and Assigns. This Agreement shall be binding on the successors and assigns of the Parties.

4.4.9 Assignment or Transfer. PACEfunding shall not assign, hypothecate, or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of WRCOG, provided, however, PACEfunding may assign this Agreement in connection with a merger or the sale of all or substantially all of its assets provided that the successor entity expressly assumes all of the obligations and confirms all of the representations and warranties of PACEfunding hereunder to the extent applicable to such successor or assign. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

4.4.10 Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Agreement, the language of this Agreement shall be

construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not workdays unless otherwise noted. All references to PACEfunding include all personnel, employees, agents, and subcontractors of PACEfunding, except as otherwise specified in this Agreement. All references to WRCOG include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Agreement.

4.4.11 Amendment; Modification. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

4.4.12 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

4.4.13 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

4.4.14 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

4.4.15 Prohibited Interests. PACEfunding maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for PACEfunding or independent contractors and consultants engaged by PACEfunding to perform services of the nature of those included on the Schedule of Responsibilities attached hereto to solicit or secure this Agreement. Further, other than its outside counsel, PACEfunding warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for PACEfunding, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, WRCOG shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of WRCOG, during the term of his or her service with WRCOG, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

4.4.16 Equal Opportunity Employment. PACEfunding represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because of race, religion, color, national origin, handicap, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

4.4.17 Labor Certification. By its signature hereunder, PACEfunding certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every

employer to be insured against liability for Workers Compensation or to undertake self-insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of Program Administration Services.

4.4.18 Authority to Enter Agreement. PACEfunding has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

4.5 Subcontracting.

4.5.1 Prior Approval Required. PACEfunding shall not subcontract any portion of Program Administration Services, except as expressly stated herein (including Section 4.2.1), without prior written approval of WRCOG; *provided that* PACEfunding is not prohibited from hiring individuals that act as independent contractors or consultants with respect to the work such individuals perform for PACEfunding. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

4.6 Insurance.

4.6.1 Time for Compliance. PACEfunding shall not commence Program Administration Services under this Agreement until it has provided evidence satisfactory to WRCOG that it has secured all insurance required under this Section. In addition, PACEfunding shall not allow any subcontractor to commence work on any subcontract until it has provided evidence satisfactory to WRCOG that the subcontractor has secured all insurance required under this section.

4.6.2 Minimum Requirements. PACEfunding shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by PACEfunding, its agents, representatives, employees or subcontractors. PACEfunding shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

(a) **Minimum Scope of Insurance.** Coverage shall be at least as broad as the latest version of the following: (1) *General Liability*: Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001); (2) *Automobile Liability*: Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto); and (3) *Workers Compensation and Employers Liability*: Workers Compensation insurance as required by the State of California and Employers Liability Insurance.

(b) **Minimum Limits of Insurance.** PACEfunding shall maintain limits no less than: (1) *General Liability*: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (2)

Automobile Liability: \$1,000,000 per accident for bodily injury and property damage; and (3) *Workers Compensation and Employers Liability*: Workers Compensation limits as required by the Labor Code of the State of California. Employers Liability limits of \$1,000,000 per accident for bodily injury or disease.

4.6.3 Professional Liability. PACEfunding shall procure and maintain, and require its sub-consultants to procure and maintain, for a period of three (3) years following completion of Program Administration Services, errors and omissions liability insurance appropriate to their profession. Such insurance shall be in an amount not less than \$1,000,000 per claim, and shall be endorsed to include contractual liability.

4.6.4 Privacy/Network Security (Cyber) Liability Coverage. PACEfunding shall procure and maintain insurance providing protection against liability for (1) privacy breaches (2) system breach (3) denial or loss of service (4) introduction, implantation, or spread of malicious software code (5) unauthorized access to or use of computer systems with limits of \$2 million. No exclusion/restriction for unencrypted portable devices/media may be on the policy.

4.6.5 Insurance Endorsements. The insurance policies shall contain the following provisions, or PACEfunding shall provide endorsements on forms supplied or approved by WRCOG to add the following provisions to the insurance policies:

(a) **General Liability.** The general liability policy shall be endorsed to state that: (1) WRCOG, its directors, officials, officers, employees, agents and volunteers shall be covered as additional insureds with respect to Program Administration Services or operations performed by or on behalf of PACEfunding, including materials, parts or equipment furnished in connection with such work; and (2) the insurance coverage shall be primary insurance as respects WRCOG, its directors, officials, officers, employees, agents and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of PACEfunding's scheduled underlying coverage. Any insurance or self-insurance maintained by WRCOG, its directors, officials, officers, employees, agents and volunteers shall be excess of PACEfunding's insurance and shall not be called upon to contribute with it in any way.

(b) **Automobile Liability.** The automobile liability policy shall be endorsed to state that: (1) WRCOG, its directors, officials, officers, employees, agents and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by PACEfunding or for which PACEfunding is responsible; and (2) the insurance coverage shall be primary insurance as respects WRCOG, its directors, officials, officers, employees, agents and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of PACEfunding's scheduled underlying coverage. Any insurance or self-insurance maintained by WRCOG, its directors, officials, officers, employees, agents and volunteers shall be excess of PACEfunding's insurance and shall not be called upon to contribute with it in any way.

(c) **Workers Compensation and Employers Liability Coverage.** The insurer shall agree to waive all rights of subrogation against WRCOG, its directors, officials,

officers, employees, agents and volunteers for losses paid under the terms of the insurance policy which arise from work performed by PACEfunding.

(d) All Coverages. Each insurance policy required by this Agreement shall be endorsed to state that: (1) the respective insurer (or in the case of professional liability insurance provided pursuant to Section 4.6.3, the respective insurer or PACEfunding) shall provide WRCOG with written notice within thirty (30) days of any suspension, voiding or cancellation of the insurance policy; and (2) any failure to comply with reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to WRCOG, its directors, officials, officers, employees, agents and volunteers.

4.6.6 Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to WRCOG, its directors, officials, officers, employees, agents and volunteers.

4.6.7 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions in an amount greater than \$10,000 must be declared to and approved by the WRCOG. PACEfunding shall guarantee that, at the option of WRCOG, either: (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects WRCOG, its directors, officials, officers, employees, agents and volunteers; or (2) PACEfunding shall procure a bond guaranteeing payment of losses and related investigation costs, claims and administrative and defense expenses.

4.6.8 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Bests rating no less than A:VII, licensed to do business in California.

4.6.9 Verification of Coverage. PACEfunding shall furnish WRCOG with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to WRCOG. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by WRCOG if requested. All certificates and endorsements must be received and approved by WRCOG before work commences. WRCOG reserves the right to require complete, certified copies of all required insurance policies, at any time.

4.7 Indemnification.

PACEfunding shall defend, indemnify and hold WRCOG, its officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury, in law or equity, to property or persons, including wrongful death, in any manner arising out of or incident to any allegedly negligent or wrongful acts or omissions or willful misconduct of PACEfunding, its officials, officers, employees, agents, consultants, contractors and subcontractors, arising out of or in connection with the performance of the Program Administration Services, the PACEfunding Program or this Agreement, including without limitation, the negligent disclosure of Data Compilations under Section 4.4.3(a) of this Agreement. Such costs, expenses, liability, loss, damage or injury shall including without limitation the payment of all consequential damages and attorneys' fees and

other related costs and expenses. PACEfunding shall defend, at PACEfunding's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against WRCOG, its directors, officials, officers, employees, agents or volunteers. PACEfunding shall pay and satisfy any judgment, award or decree that may be rendered against WRCOG or its directors, officials, officers, employees, agents or volunteers, in any such suit, action or other legal proceeding. PACEfunding shall reimburse WRCOG and its directors, officials, officers, employees, agents and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. PACEfunding's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the WRCOG, its directors, officials, officers, employees, agents or volunteers.

WRCOG shall defend, indemnify and hold PACEfunding, its officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury, in law or equity, to property or persons, including wrongful death, in any manner arising out of or incident to any reckless acts or omissions or willful misconduct of WRCOG, its officials, officers, employees, agents, consultants, contractors and subcontractors, arising out of or in connection with the performance of the Program Administration Services, the PACEfunding Program or this Agreement, including without limitation the payment of all consequential damages and attorneys' fees and other related costs and expenses. WRCOG shall defend, at WRCOG's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against PACEfunding, its directors, officials, officers, employees, agents or volunteers. WRCOG shall pay and satisfy any judgment, award or decree that may be rendered against PACEfunding or its directors, officials, officers, employees, agents or volunteers, in any such suit, action or other legal proceeding. WRCOG shall reimburse PACEfunding and its directors, officials, officers, employees, agents and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. WRCOG's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the PACEfunding, its directors, officials, officers, employees, agents or volunteers.

No third party shall be a direct beneficiary of this Section 4.7.

4.8 Press Release. PACEfunding may issue a press release and other publicity in respect of the execution of this Agreement, subject to the prior consent of WRCOG; provided, however, such consent shall not be unreasonably withheld, conditioned or delayed.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Parties hereby have made and executed this Agreement as of the date first written above.

WESTERN RIVERSIDE COUNCIL OF
GOVERNMENTS

PACEFUNDING LLC

By: _____
Rick Bishop, Executive Director

By: _____
Robert Giles, Chief Executive Officer

APPROVED AS TO FORM:

By: _____
General Counsel
Best Best & Krieger LLP

Exhibit “A”

**WRCOG
ADMINISTRATIVE GUIDELINES
AND
PROGRAM REPORT**

Exhibit A

EXHIBIT “B”

SCOPE OF PROGRAM ADMINISTRATION SERVICES

PACEfunding shall provide the following Program Administrative Services:

Program Design

As part of Program Administration Services, PACEfunding shall provide program design services which include: (1) review and edit all policies relating to commercial and residential projects; (2) provide documentation, processes and procedures required for registering contractors, accepting, processing and approving property owner applications, reviewing eligibility of and approving proposed improvements, providing and tracking all financing disclosures and accepting, processing and approving funding requests, issuing and executing contractual assessment agreements (property owner and issuer), recording or causing to be recorded lien documents, issuing and executing Bond documents, and instructing the bond trustee when to issue payment for funding requests, including PACEfunding Program Guidelines, Eligible Improvement Lists, contractor registration/approval forms, commercial applications, all financing disclosure forms, all forms required to approve improvements, , funding request form(s), and contractual assessment agreement and lien recordation documents (unless provided by municipality); (3) design and build the PACEfunding Program’ website; (4) integration of PACEfunding’s origination systems with the PACEfunding Program website.

Origination

As part of Program Administration Services, PACEfunding shall provide origination services which include: (1) process all commercial and residential applications, including accepting applications (online and hard copy), entering hard copy applications into online system, pulling all credit, title, valuation and other reports, reviewing eligibility of proposed property, applicants, equipment and contractors, tracking all financing disclosures, application and authorization forms, contacting applicants, contractors and other parties as needed, providing notifications of approval, denial or incomplete status; (2) obtaining or assisting property owners to obtain consent of the first mortgage holder, if any; (3) process all funding requests for Residential Parcels and Commercial Parcels participating in the PACEfunding Program, including accepting funding request forms, reviewing submitted forms and attachments, providing notification of funding request approval, denial or incomplete status; (4) process and finalize all contractual assessment documentation, including issuance of contractual assessment and financing disclosures; (4) provide telephone and email customer service support; (5) track and report

to WRCOG key PACEfunding Program statistics, including applications received, approved, assessment contracts issued and signed; (6) periodically assess and/or adjust policies and procedures of the PACEfunding Program as needed to resolve any recurring issues.

Marketing of Program: As part of Program Administration Services, PACEfunding shall work with WRCOG and its Members jurisdictions to promote the PACEfunding Program including notices on appropriate governmental web sites, press interviews and public meetings and announcements. PACEfunding shall also publicize the PACEfunding Program on its web site as well as through direct contact with property owners. PACEfunding shall maintain sufficient resources to answer any questions by potential participants in the PACEfunding Program. PACEfunding shall also work with WRCOG and Members within the WRCOG Program Area in order to utilize the PACEfunding Program to help bring industry and developments to the areas in which the PACEfunding Program are offered.

Documentation: As part of Program Administration Services, PACEfunding shall work with WRCOG to develop and produce a standard set of documents suitable to the parties that shall document the legal obligations associated with the contractual assessments and the issuance of Bonds, and any other legal requirements of the transaction.

Assessment
Tax Roll Management: PACEfunding shall work with the Program Assessment Administrator, and the counties within which the PACEfunding Program are offered to ensure that the proper contractual assessment installment are placed on the appropriate property owners property tax bills and that the contractual assessment installments shall be collected promptly for the properties subject to such contractual assessments.

Regular reporting
Of complaints, claims
Or legal actions PACEfunding shall provide weekly reports to WRCOG showing all complaints and claims made by property owners who have applied and/or are participants in the PACEfunding Program and any resolution thereto. In addition, PACEfunding shall promptly notify WRCOG of any suits that have been filed against PACEfunding relating to the Program Administration Services.

EXHIBIT “C”

SCHEDULE OF RESPONSIBILITIES

Responsibilities of PACEfunding

PACEfunding will prepare closing package and send to owner(s) of a Commercial Property or Residential Property participating in one of the PACEfunding Program (each, a “Owner”) for signature (the “PACEfunding Closing Documents”), which package shall include:

- Financing Summary
- Application
- Assessment Contract
 - Exhibit A – Description of Property
 - Exhibit B – List of Documents
- Right to Cancel
- Program Handbook

Upon receipt of signed documents from Owner, PACEfunding will deliver original documents to WRCOG.

PACEfunding will electronically send the Contractual Assessment Data File for each Bond or Series of Bonds to be issued, along with all Bond Documents for each Bond or Series of Bonds, to Bond Counsel, the Trustee, David Taussig and Associates, and Public Financial Management for review and set-up.

PACEfunding shall execute and deliver the PACEfunding Closing Documents (as such term is defined in this Exhibit C above) to Bond Counsel at the Closing Location on or before the Closing Date.

Upon receipt of verification that all Closing Documents have been properly executed and, if applicable, recorded, PACEfunding or any assign, affiliate, subsidiary, or any other person or entity that PACEfunding designates will purchase the Bond or Series of Bonds pursuant to the Master Bond Purchase Agreement. Said purchase will be accomplished via a wire transfer to the Trustee.

Responsibilities of WRCOG

WRCOG shall prepare, or cause to be prepared, the following documents:

- Supplemental Indenture
- Improvement Bond
- Notice of Assessment
- Payment of Contractual Assessment Required
- Omnibus Closing Certificate of WRCOG
- Certificate of Trustee
- Instructions to Trustee Regarding Disbursement of Proceeds of Bond

Receipt for Bond Proceeds
Receipt for Improvement Bond
Opinion of Bond Counsel
Supplemental Opinion of Bond Counsel
Reliance Letter of Bond Counsel

WRCOG will cause recordation of and notification to the financing team electronically of recordation of:

Notice of Assessment and Assessment Contract
Payment of Contractual Assessment Required

WRCOG will execute and deliver all WRCOG Closing Documents (as such term is defined in the Master Bond Purchase Agreement) to Bond Counsel at the Closing Location or shall cause all such WRCOG Closing Documents to be so executed and delivered, as applicable, on or before the Closing Date.

WRCOG will execute, by facsimile or original signatures, and deliver the Bond or Series of Bonds to the Trustee for authentication (with electronic copy to remainder of financing team) and delivery to PACEfunding.

Exhibit 5



GREEN CORRIDOR PROPERTY ASSESSMENT
CLEAN ENERGY (PACE) DISTRICT
PROGRAM GUIDELINES

Approved September 18, 2018 February 20, 2019



In order to apply for financing under the Green Corridor Property Assessment Clean Energy (PACE) District (the "District") Program (the "Program"), the property owner(s) must read, accept, and comply with the terms provided herein (the "Program Terms").

These Program Terms, along with the documents property owners execute in connection with the Program (the "Program Documents"), establish the terms of the District Program. Property owners should become familiar with and understand the provisions of the Program Terms. By executing the Program Documents, the property owner agrees to all of the Program Terms. The District reserves the right to amend these Program Terms from time to time as described below. The District has contracted with Ygrene Energy Fund Florida, LLC (the "Administrator") to administer the Program. The District will share personal information of property owners with the Administrator and other third parties as necessary to administer the Program.

1. Purpose of the Program

The Program is intended to assist property owners in the District in financing (or refinancing) the installation of energy efficiency, wind resistance and renewable energy improvements as defined in Section 163.08, Florida Statutes (the "Qualifying Improvements"). **Property owners who voluntarily choose to participate in the Program will repay the financing and costs of administering the Program through non-ad valorem special assessments that are added to the subject property's tax bill.** There may be other types of financing available to property owners and the District does not guarantee that the Program is the best financing option. Property owners should obtain help in selecting the option that is most appropriate for their particular situation.

2. Summary of the Program Process

In order to receive financing from the Program, property owners must complete the following steps, which are discussed in more detail below, for all property types:

- a. Determine that they meet the eligibility requirements. (See "Eligibility" below).
- b. Apply online or submit a paper application for the Program. (See "Application" below).
- c. Agree to these Program Terms and pay an application fee as part of the application process.
- d. At least 30 days before executing a financing agreement (the "Financing Agreement"), the property owner shall provide to the holders or loan servicers of any existing mortgages encumbering or otherwise secured by the property a notice of the owner's intent to enter into a Financing Agreement together with the maximum principal amount to be financed and the maximum annual assessment necessary to repay that amount. Unless otherwise instructed, the Program Administrator will automatically do this upon application approval.
- e. The Administrator must approve the completed application.
- f. Except in the case of refinancings, a contractor ~~certified-authorized~~ through the Program (the "~~Certified-Authorized~~ Contractor") must be selected by the property owner to install the Qualifying Improvements. ~~The Certified Contractor must submit a bid to the property owner for the installation of Qualifying Improvements on the property. It is the property owner's responsibility to enter into a contract with the Certified Contractor.~~
- g. The District will record the signed Finance Agreement or a summary memorandum of such agreement within 5 days of signing. Upon disbursement of funds, the District will record an addendum to the Financing Agreement indicating the final amount financed which will be annually assessed (the "Addendum").
- h. The District will authorize the release of funds to the property owner after project completion. Property owners may choose to assign payment directly to their ~~Certified~~ Authorized Contractor.
- i. Pay the special assessments to the local tax collector in the amounts and at the times specified in



the Addendum.



3. Eligibility

The Program is available to all privately--owned property within the District. The financing terms and conditions set forth in these Program Terms are applicable to financings (and refinancings) for the installation of Qualifying Improvements in residential and non-residential properties. Local government members of the District may adopt more restrictive guidelines than the District. In order to be eligible to participate in the Program, a property owner must meet and complete the following requirements and steps:

- a. The property to be improved with the Qualifying Improvements must be located within the District.
- b. All holders of fee simple title to the subject property or, for corporate owners their designee(s), must sign the Program Documents. Therefore, before submitting an application, property owners must ensure that all property owners will agree to participate in the Program on the terms set forth in these Program Terms.
- c. All property taxes and any other assessments levied on the same bill as property taxes must be paid and have not been delinquent for the preceding 3 years or the property owner's period of ownership, whichever is less. There shall be no involuntary liens, including, but not limited to, construction liens on the property. There shall be no notices of default or other evidence of property-based debt delinquency recorded during the preceding 3 years or the property owner's period of ownership, whichever is less. The property owner must be current on all mortgage debt on the property. Property owner may not currently be in bankruptcy.
- d. The total debt of the property secured by the property, including but not limited to mortgages and equity lines of credit, must not exceed 90% of the fair market value of the property. The Administrator will provide the property owner with the current fair market value of the property as determined by industry-recognized and approved data sources.
- e. The District reserves the right, in its sole discretion, to request supplemental information from property owners and to deny applications based on any negative reports.
- f. Property owners may refinance PACE and non-PACE financing of Qualifying Improvements. The term "non-PACE financing" includes, without limitation, consumer loans, home equity loans, credit card debt, private loans, and/or any other form of payment or financing as may be approved by the Administrator. Where a property owner seeks to refinance a non-PACE financing, the following additional criteria must be met:
 - (i) The refinancing is entered into within one (1) year or less from the date of the final disbursement of the non-PACE Financing for the Qualifying Improvements; and
 - (ii) The property owner shall have provided written confirmation to the Administrator that:
 1. At the time of the property owner's acceptance and execution of the initial non-PACE financing, the property owner would have financed the Qualifying Improvement(s) with PACE financing, but could not because PACE financing was not then attainable in a timely fashion or was otherwise unavailable to the property owner; and
 2. If applicable and required by law, the Qualifying Improvement(s) were constructed and completed by a contractor that was properly licensed and insured in accordance with applicable law.

4. Application

All property owners interested in applying to the Program must submit the initial application listed below along with the ~~required~~ applicable application fee. At the time of application, property owners must agree to the Program Terms. Applicants will receive an administrative point of contact from the Administrator, who will assist in the process.

- a. Application submission and application fee, if required.
- b. After the Administrator's review of the application, applicants will receive either a Notice of



Approval or a Notice of Denial.

- c. Upon receipt of a Notice of Approval, unless otherwise instructed, the Program Administrator will send a notice to any mortgage holder of the property owner's intent to use the Program, informing them of the maximum principal amount to be financed and the maximum annual assessment necessary to repay that amount. This is not required if the property is owned free and clear.
- d. Upon receipt of a Notice of Approval, applicants can proceed to submit their proposed project for approval. (See "Project Approval" below).
- e. Should an application be denied, the Notice of Denial will include recommended remedial action that may be available to the applicant.

5. Qualifying Improvements; ~~Certified-Authorized~~ Contractors; Maximum Funding

The following general provisions apply to all projects submitted for funding under the Program:

- a. Program financing may only be used to finance (or refinance) those improvements that are described in the list of Qualifying Improvements. (See Appendix I). Property owners are responsible for ensuring that improvements installed on their property qualify under the Program.
- b. **The Program is a financing program only. Neither the District nor the Administrator is responsible for installation of the Qualifying Improvements or their performance.**
- c. The Qualifying Improvements must be affixed to the building or facility that is part of the property and shall constitute an improvement to the building or facility or a fixture attached to the building or facility. Appliances built-in to cabinetry may qualify, but freestanding units do not. Built-in lighting fixtures qualify, but replacement of light bulbs alone cannot be financed. Questions regarding Qualified Qualifying Improvements should be directed to the Administrator.
- d. Except in the case of refinancings, Qualifying Improvements must be installed by Certified-Authorized Contractors who meet the eligibility criteria set forth for the specific category of work being financed, and who are listed on the Certified-Authorized Contractors list that may be obtained on-line or from the Administrator.
- e. The Program requires a minimum funding request of \$2,500.
- f. The Program will approve maximum funding requests in an amount such that the aggregate amount of any fixed assessment liens on the property and the amount of the proposed project to be completed do not exceed 100% of the fair market value of the property. Maximum financing is initially set at the lesser of 20% of the just value of the property as determined by the local property appraiser or 15% of the fair market value as determined by industry-recognized and approved data sources and appraisers.
- g. The Program will not provide financing for any costs in excess of the maximum amounts allowed under Florida law.

6. Project Approval

Upon receipt of a Notice of Approval of a Program application and following verification of lender notification being sent, the property owner may proceed towards project funding. The following are the steps required to obtain authorization for financing under the Program:

- a. Select an Certified-Authorized Contractor from the Certified-Authorized Contractor List. This list is available on-line and/or from the Administrator. Applicants may wish to obtain bids and advice from more than one Authorized ~~Certified~~ Contractor.
- b. Work with Certified-Authorized Contractor(s) to determine the scope and cost of your project, and verify that the proposed work qualifies for financing under the Program. Once Qualifying Improvements are selected, obtain a formal bid from one or more Certified-Authorized Contractors.



- c. Following review of the project bid(s) select an Certified-Authorized Contractor to coordinate the project with the Program Administrator.
- d. Once the project is approved by the Program Administrator, applicants will be required to execute the Financing Agreement, which authorizes the Administrator and the District to record on the property tax record the assessment that will secure the project financing. The Financing Agreement must be signed prior to commencement of construction.
- e. Once the Financing Agreement is signed, applicants will receive a Notice to Proceed. Upon receipt of this notice, applicants can authorize commencement of the project. If construction begins prior to receipt of a Notice to Proceed, applicants run the risk of not qualifying for or receiving Program financing.

For the avoidance of doubt, the Administrator shall (in its discretion) determine which of the foregoing steps shall be applicable to obtain authorization for refinancings of Qualifying Improvement(s) under the Program.

7. Funding

- a. Except in the case of refinancings, once the Certified-Authorized Contractor has completed installation of the Qualifying Improvements, the Certified-Authorized Contractor must submit a payment request and the project verification documents to the property owner. Property owners should contact the Administrator for a complete list of required forms and agreements needed to complete funding. Property owners may request that the Certified-Authorized Contractor receive payment directly from the Administrator.
- b. If the funding request is not submitted to the Administrator within 90 calendar days after the date that appears on the Finance Agreement, the interest rate may be reset (See "Financing Costs; Interest Rate" below).
- c. Upon review of the project record, the Administrator will confirm its eligibility for funding and calculate the final assessment details. Prior to the issuance of funding, the property owner must approve and sign an estimated settlement statement.
- d. In the event a property owner cancels financing after submitting a request for funding, all expenses incurred by the Program for recording documents, preparing bond documents and releasing any liens will be the responsibility of the property owner. Property owners may be responsible for expenses incurred by Certified-Authorized Contractors according to their individual contracts. The District has no responsibility to release funds to property owners or Certified-Authorized Contractors for work that has not been completed for any reason.

8. Financing Costs; Interest Rate

- a. In order to receive funding, property owners agree to pay special assessments in an amount equal to (i) the principal amount received from the Program, (ii) interest on the principal amount received from the Program and (iii) administrative fees and closing costs (see Appendix II). The special assessment will be added to the property tax bill.
- b. Principal. This is the total of all financed project costs. These may include costs associated with implementing the project such as origination fees, closing fees, permits, audit expenses, application fees, SelectRate Buyers Points Fee (if any), and capitalized interest (see "Capitalized Interest" below).
- c. Interest Rate. The rate of interest charged on the amount funded will be fixed for the full term of the assessment. The rate will be set for 90 days on the date that the Finance Agreement is prepared by the Administrator. The current rates of interest approved by the District are attached hereto as Appendix III (the "Rate Schedule"). The Rate Schedule may be amended from time to time by resolution of the District.
- d. Capitalized Interest. Because of administrative delays involved in placing assessments on County tax rolls, capitalized interest will be added to the assessment for the time period between funding of the



project and the first day of the year in which the bond for each project is issued.

9. Repayment Terms; Special Assessments

- a. Repayment Terms. Following placement of the assessment on the tax roll, the property owner will be obligated to pay the special assessments specified in the Addendum.
- b. Prepayment Terms: The Special Assessment can be paid off in full or in part at any time following the first tax roll date. Assessments may be paid off in part at any time following the first tax roll date. Should a property owner choose to prepay the Program financing, subject to applicable law, a property owner may be charged a processing fee for the preparation of the payoff quote and execution of the payoff documents.
- c. Special Assessments. A property owner must pay the agreed-upon special assessment regardless of personal financial circumstances, the condition of the property, or the performance of the Qualifying Improvements. Property owners should not apply for financing if they are not certain they can meet the assessment obligations. **The failure to pay property taxes in full or in part will result in financial repercussions including penalties, interest, the sale of a tax certificate on the property, and possible loss of the property.** If property owners use an escrow account to pay their property taxes, they must notify the escrow company of the special assessment. In such cases, property owners will need to increase payments to the escrow account by an amount equivalent to the annual assessment payments.

10. Compliance with Existing Mortgages

Recordation of the assessment on the tax roll will establish a continuing lien as security for the obligation to pay the special assessments. In accordance with Florida law, the lien securing the obligation to pay the special assessments will be senior to all private liens, including existing mortgage(s). Many mortgage and loan documents limit the ability of a property owner to place senior liens on property without the consent of the lender, or authorize the lender to obligate borrowers to prepay the senior obligation. The Federal Housing Finance Agency has issued policy guidelines that question the validity and assessment status of PACE assessments. In December 2017, HUD indicated that FHA would no longer insure mortgages for homes with PACE liens. Program participants should confirm with their lender(s) that participation in the Program does not adversely impact their rights with respect to any existing loan documents. Property owners are required to notify their lenders prior to a funding request and to provide the Administrator with a copy of the letter and proof of mailing. **The Administrator will provide required forms for lender notification, but ultimate responsibility for addressing issues with existing lenders remains with property owners.**

11. Transfer or Resale of the Subject Property

Special Assessments run with the property. In the event of a sale, unless other arrangements are made prior to closing, the annual payments will appear on the new owner's tax bill. The property owner should be aware of the fact that the Federal Housing Finance Agency has made a statement indicating that they will not give a mortgage to a potential buyer of a residential property if the property has a PACE special assessment recorded against it. If this is the case, the assessment can be prepaid at the time of sale (see "Repayment Terms; Special Assessments" above).

Ownership of any funded Qualifying Improvements (including light bulbs) transfer to the new owner. and may not be removed from the property. Program participants agree to make all legally required disclosures regarding the existence of the assessment lien on the property in connection with any sale.

At or before the time a purchaser executes a contract for the sale and purchase of any property for which a non-ad valorem assessment has been levied and has an unpaid balance due, the seller shall give the prospective purchaser a written disclosure statement in the following form, which shall be set forth in the contract or in a separate writing:





QUALIFYING IMPROVEMENTS FOR ENERGY EFFICIENCY, RENEWABLE ENERGY, OR WIND RESISTANCE. — *The property being purchased is located within the jurisdiction of a local government that has placed an assessment on the property pursuant to s. 163.08, Florida Statutes. The assessment is for a ~~qualifying~~ Qualifying improvement Improvement to the property relating to energy efficiency, renewable energy, or wind resistance, and is not based on the value of property. You are encouraged to contact the County Property Appraiser's office to learn more about this and other assessments that may be provided by law.*



12. Rebates, Credits and Taxes

Participation in this Program does not reduce rebates available through federal, state, utility sponsored and District rebate programs. More information on available programs can be found on--line or through Certified Contractors and other vendors. Carbon or similar credits derived from Qualifying Improvements are owned by the District; however, in the exercise of its discretion, the District may allocate or transfer such Credits to other persons. Participants should consult with their tax advisors with respect to the state and federal tax benefits and consequences of participating in the Program. Neither the District nor the Administrator is responsible for the tax considerations of participating in the Program.

13. Changes in State and Federal Law

The District's ability to continue to finance the Program is subject to a variety of state and federal laws. If those laws or the judicial interpretation thereof changes after a property owner applies for the Program, but before the District fulfills the funding request, the District may be unable to fulfill the request. In such event, the District shall have no liability as a result of any such change in law or judicial interpretation.

14. Changes in Program Terms

The District reserves the right to change the Program Terms at any time without notice. However, no such change will affect a participant's obligation to pay special assessments as set forth in the Addendum. Participation in the Program will be subject to the Program Terms in effect from time to time.



APPENDIX I QUALIFYING IMPROVEMENTS

The following list represents improvements that are considered Qualifying Improvements under the District Program. Additional and/or alternative improvements may be approved on a case-by-case basis and/or as the list is modified from time to time in compliance with State Law or instructions from the District.

1. Energy Efficiency

- a. Air Sealing and Ventilation
 - Air Filtration
 - Building Envelope
 - Duct Leakage and Sealing
 - Bathroom, ceiling, attic, and whole house fans
- b. Insulation
 - Defect Correction
 - Attic, floor, walls, roof, ducts
- c. Weather-Stripping
- d. Home Sealing
- e. Geothermal Exchange Heat Pumps
- f. HVAC Systems
- g. Evaporative Coolers
 - Cooler must have a separate ducting system from air conditioning and heating ducting system
- h. Natural gas storage water heater
 - Energy Star listed
- i. Tankless water heater
- j. Solar water heater system
- k. Reflective insulation or radiant barriers
- l. Cool roof
- m. Windows and glass doors
 - U value of 0.40 or less and solar heat gain coefficient of 0.40 or less
- n. Window filming
- o. Skylights
- p. Solar tubes
- q. Additional building openings to provide additional natural light
- r. Lighting
 - Energy Star listed (only retrofits)
- s. Pool equipment
 - Pool circulating pumps



2. Other Non-Residential Building Measures

The following measures are allowed for commercial and non-residential buildings, in addition to all applicable energy efficiency measures listed above:

- a. Occupancy-Sensor Lighting Fixtures
 - SMART Parking Lot Bi-Level Fixture
 - SMART Parking Garage Bi-Level Fixtures
 - SMART Pathway Lighting
 - SMART Wall Pack Fixtures
- b. Task Ambient Office Lighting
- c. Classroom Lighting
- d. Refrigerator Case LED Lighting with Occupancy Sensors
- e. Wireless, daylight lighting controls
- f. Kitchen Exhaust Variable Air Volume Controls
- g. Wireless HVAC Controls & Fault Detection

3. Solar Equipment

- a. Solar thermal hot water systems
- b. Solar thermal systems for pool heating
- c. Photovoltaic systems (electricity)
- d. Emerging technologies – following the Custom Measures Track

4. Wind Resistance Measures

- a. Wind hardening measures can be deployed through this Program. The measures described qualify.
- b. Improving the strength of the roof deck and foundation attachment.
- c. Creating a secondary water barrier to prevent water intrusion.
- d. Installing wind-resistant shingles or other roofing.
- e. Installing gable-end bracing.
- f. Reinforcing roof-to-wall connections.
- g. Installing storm shutters.
- h. Installing perimeter-opening protections.
- i. Standby Generator Systems (natural gas or propane)

5. Custom Measures

The Custom Measures Track is a process by which the Administrator can evaluate and approve funding for projects that are not “off the shelf” improvements listed in the Qualifying measures/Improvements. These custom projects may involve large scale industrial or commercial energy efficiency improvements; processing or industrial mechanical systems; and renewable energy generation from sources such as geothermal and fuel cells. The following are examples of custom measures that will be considered for



District funding:

- a. Custom Energy Efficiency Measures
 - Building energy management controls
 - HVAC duct zoning control systems
 - Irrigation pumps and controls
 - Lighting controls
 - Industrial and process equipment motors and controls
 - Electric Vehicle Charging Equipment
- b. Custom Energy Generation Measures
 - Fuel Cells
 - Wind turbine power system
 - Natural gas
 - Hydrogen fuel
 - Other fuel sources (emerging technologies)
 - Co-generation (heat and energy)



APPENDIX II
ADMINISTRATIVE FEES AND CLOSING COSTS^{1,2}

	RESIDENTIAL
Application Fee	\$50.00
Processing & Underwriting Fee	\$125.00
District Recovery Fee ³	See Table 1
Recording & Disbursement Fee	\$100.00 <u>\$125.00</u>
Bond Trustee Fee	\$90.00
Title & Escrow Fee	\$65.00
Origination Fee	3%
SelectRate Buyers Points Fee	Not to exceed 5% of project costs for 1% rate reduction; Not to exceed 10% of project costs for 2% rate reduction

	COMMERCIAL
Application Fee	\$250.00
Processing & Underwriting Fee	\$250.00
District Recovery Fee ³	See Table 1
Recording & Disbursement Fee	\$250.00 <u>\$275.00</u>
Bond Trustee Fee	\$90.00
Energy Analysis Fee ⁴	See Table 2
Title & Escrow Fee	\$585.00
Origination Fee	3%
SelectRate Buyers Points Fee	Not to exceed 5% of project costs for 1% rate reduction; Not to exceed 10% of project costs for 2% rate reduction

Table 1

	DISTRICT RECOVERY FEE³	
	Project Size	Fee
RESIDENTIAL	< \$62,500	\$125.00
	≥ \$62,500	\$75 + (.0008 x Project Size)
COMMERCIAL	< \$250,000	\$225.00
	≥ \$250,000	\$75 + (.0008 x Project Size)

Table 2

ENERGY PRO - COMMERCIAL PROJECTS	
Project Size	Fee
≤ \$100,000	\$450.00
\$100,001 - \$200,000	\$600.00
\$200,001 - \$300,000	\$750.00
≥ \$300,001 +	\$900.00



¹ A \$37 administrative fee will be added to the assessment in relation to tax collection. Property Appraisers and Tax Collectors' fees will be included as part of the special assessment as required by state law and agreements between the District, Property Appraiser, and/or Tax Collector of a given jurisdiction.

² Fees may vary based on current market conditions.

³ The District Recovery Fee is intended to cover the costs incurred by the District in marketing the District and the Program, receiving and approving grants for the District, offsetting costs incurred by the District, and establishing a reserve for the District. May be referred to as Cost Recovery Fee; \$75 is allocated for the District's Recovery and the remainder is for the District's Bond Counsel.

⁴ May be referred to as Energy Audit Fee.



APPENDIX III

Amended Rate Schedule For Series 2016 Bonds

The Program Administrator is authorized to originate financings at the following program rates, in accordance with the terms of the program bond documents:

	<u>MATURITY</u>			
Residential & Commercial				
<u>Green Corridor Rates</u>	<u>5yr</u>	<u>10yr</u>	<u>15yr</u>	<u>20/25/30yr</u>
Rate formula	3yr Libor swap + 5.60	6yr Libor swap + 5.60	9yr Libor swap + 5.60	12yr Libor swap + 5.60

Amended Rate Schedule For Series 2017 A-U, AA-AS and AA-ASBA-CJ

The Program Administrator is authorized to originate financings at the following program rates, in accordance with the terms of the program bond documents. Such rates may be applied to any project regardless of maturity of the bonds and related assessments:

Series 2017 A-U	
<u>Bond Series</u>	<u>Interest Rate Formula</u>
Series 2017A	12yr Libor swap +5.60
Series 2017B	9yr Libor swap + 5.60
Series 2017C	6yr Libor swap + 5.60
Series 2017D	12yr Libor swap + 4.60
Series 2017E	9yr Libor swap + 4.60
Series 2017F	3yr Libor swap + 5.60
Series 2017G	6yr Libor swap + 4.60
Series 2017H	3yr Libor swap + 4.60
Series 2017I	12yr Libor swap + 3.60
Series 2017J	9yr Libor swap +3.60
Series 2017K	6yr Libor swap +3.60
Series 2017L	3yr Libor swap +3.60
Series 2017M	12yr Libor swap +2.60
Series 2017N	9yr Libor swap +2.60
Series 2017O	6yr Libor swap +2.60
Series 2017P	3yr Libor swap +2.60
Series 2017Q	12yr Libor swap +3.89
Series 2017R	9yr Libor swap +4.02
Series 2017S	6yr Libor swap +3.96
Series 2017T	3yr Libor swap +3.75
Series 2017U	3yr Libor swap +4.24



Series 2017AA-AS	
Bond Series	Interest Rate Formula
Series 2017AA	3.50%
Series 2017AB	4.00%
Series 2017AC	4.25%
Series 2017AD	4.50%
Series 2017AE	4.75%
Series 2017AF	5.00%
Series 2017AG	5.25%
Series 2017AH	5.50%
Series 2017AI	5.75%
Series 2017AJ	6.00%
Series 2017AK	6.25%
Series 2017AL	6.50%
Series 2017AM	6.75%
Series 2017AN	7.00%
Series 2017AO	7.25%
Series 2017AP	7.50%
Series 2017AQ	7.75%
Series 2017AR	8.00%
Series 2017AS	8.25%

Series 2017BA-CJ	
Series 2017BA	3.62%
Series 2017BB	3.74%
Series 2017BC	3.87%
Series 2017BD	3.99%
Series 2017BE	4.12%
Series 2017BF	4.24%
Series 2017BG	4.37%
Series 2017BH	4.49%
Series 2017BI	4.62%
Series 2017BJ	4.74%
Series 2017BK	4.87%
Series 2017BL	4.99%
Series 2017BM	5.12%
Series 2017BN	5.24%
Series 2017BO	5.37%
Series 2017BP	5.49%
Series 2017BQ	5.62%
Series 2017BR	5.74%
Series 2017BS	5.87%
Series 2017BT	5.99%
Series 2017BU	6.12%
Series 2017BV	6.24%



<u>Series 2017BW</u>	<u>6.37%</u>
<u>Series 2017BX</u>	<u>6.49%</u>
<u>Series 2017BY</u>	<u>6.62%</u>
<u>Series 2017BZ</u>	<u>6.74%</u>
<u>Series 2017CA</u>	<u>6.87%</u>
<u>Series 2017CB</u>	<u>6.99%</u>
<u>Series 2017CC</u>	<u>7.12%</u>
<u>Series 2017CD</u>	<u>7.24%</u>
<u>Series 2017CE</u>	<u>7.37%</u>
<u>Series 2017CF</u>	<u>7.49%</u>
<u>Series 2017CG</u>	<u>7.62%</u>
<u>Series 2017CH</u>	<u>7.74%</u>
<u>Series 2017CI</u>	<u>7.87%</u>
<u>Series 2017CJ</u>	<u>7.99%</u>

The Program Administrator is additionally authorized to offer project financings at rates lower than the rates established for each maturity (for example, through the SelectRate Buyers Points Fee rate reduction), by using any other available bond series which has a rate that fulfills this condition.

Property owners may choose to use a SelectRate Option to buy down the applicable interest rate. Additional information regarding the SelectRate Option is available from the Program Administrator and explained in District Resolution No. 2018-10, which was adopted by the District Board on May 14, 2018.

Exhibit 6

GREEN CORRIDOR PROPERTY ASSESSMENT CLEAN ENERGY (PACE) DISTRICT

and

ZB, NATIONAL ASSOCIATION D/B/A ZIONS BANK, A NATIONAL BANK,
as Trustee

FIRST SUPPLEMENTAL TRUST INDENTURE (SERIES 2017)
(To Trust Indenture Dated as of January 1, 2018)

Dated as of May __, 2018

Relating to

\$2,000,000,000
Green Corridor Property Assessment Clean Energy (PACE) District
Taxable Revenue Bonds, Series 2017A-U

THIS FIRST SUPPLEMENTAL TRUST INDENTURE (SERIES 2017) (this "First Supplemental Indenture") is dated as of May __, 2018 between the GREEN CORRIDOR PROPERTY ASSESSMENT CLEAN ENERGY (PACE) DISTRICT, a public body corporate and politic pursuant to the laws of the State of Florida (the "District"), and ZB, NATIONAL ASSOCIATION D/B/A ZIONS BANK, A NATIONAL BANK,, a national banking association (the "Trustee"), and supplements the Original Indenture (hereinafter defined). As provided in Section 1 hereof, all capitalized terms used in this First Supplemental Indenture and not otherwise defined herein shall have the respective meanings ascribed to such terms in the Original Indenture.

RECITALS:

A. The District is authorized under the constitution of the State of Florida and other applicable laws, including the Interlocal Act, Section 163.08, Florida Statutes, as amended (the "Supplemental Act"), Chapter 166, Part II, Florida Statutes, Chapter 159, Part I, Florida Statutes, and Chapter 125, Part I, Florida Statutes (collectively, the "Act") , to issue revenue bonds and other debt obligations to provide funds for financing the cost of "qualifying improvements" as defined in the Supplemental Act to generally include renewable energy, energy efficiency and conservation and wind resistance improvements to real property ("Qualifying Improvements").

B. The District and the Trustee are parties to a Trust Indenture dated as of January 1, 2018 (the "Original Indenture," as supplemented and amended from time to time, including by this First Supplemental Indenture, the "Series 2017 Indenture") pursuant to which the District authorized the issuance of not to exceed \$2,000,000,000 in principal amount of its Taxable Revenue Bonds, Series 2017A-U (the "Series 2017 Bonds").

C. Section 8.01(e) of the Original Indenture provides that the District and the Trustee may, without the consent of, or notice to, the Owners of any Series 2017 Bonds (but only with the consent of any one person or entity who is the Owner of at least fifty-one percent (51%) in aggregate principal amount of the Outstanding Series 2017 Bonds), enter into one or more Supplemental Indentures to modify, amend or supplement the Original Indenture in any respect which is not materially adverse to the Owners of the Series 2017 Bonds to be Outstanding after the effective date of the change and which does not involve a change described in Section 8.02 of the Original Indenture. The Trustee, by its execution hereof, has determined that because each Sub-Series Bond issued under the Original Indenture is secured solely by its Matching Collateral and has no lien on, and no right to payment from, any other Matching Collateral, all as set forth in Section 3.08 of the Original Indenture, the amendments made by this First Supplemental Indenture will not be materially adverse to the Owners of the Series 2017 Bonds to be Outstanding after the effective date of this First Supplemental Indenture. In addition, the entity that owns at least fifty-one percent (51%) in aggregate principal amount of the Outstanding Series 2017 Bonds, by signing the consent attached to this First Supplemental Indenture, has consented to the amendments made hereby.

D. The District and the Trustee wish to amend and supplement the Original Indenture in order to provide for (i) a Property Owner option to buy down the interest rate applicable to the special assessment, and (ii) the elimination of the requirement to obtain consent of any one person or entity who is the Owner of at least fifty-one percent (51%) in aggregate principal amount of the Outstanding Series 2017 Bonds in order to make certain amendments to the Original Indenture.

E. The execution and delivery of this First Supplemental Indenture has been in all respects duly and validly authorized by resolution duly passed and approved by the District.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby amend and supplement the Original Indenture as follows:

Section 1. Defined Terms. All capitalized terms used in this First Supplemental Indenture and not otherwise defined herein shall have the respective meanings set forth in the Original Indenture.

Section 2. Amendment to Section 1.01 of Original Indenture. Section 1.01 of the Original Indenture is hereby amended as follows:

The definition of “**Interest Rate Index**” is hereby amended to read as follows:

“**Interest Rate Index**” means:

With respect to each Series 2017 Sub-Series Bond, the LIBOR Swap Rate plus the additional amount (the “Sub-Series Spread”) applicable to the Bond Series that will be used to fund such Series 2017 Sub-Series Bond as set forth in Exhibit F hereto, determined as of the date of the Financing Agreement associated with such Series 2017 Sub-Series Bond; provided that such rate shall be adjusted as follows:

(a) If the Qualifying Improvement is not completed within the period of time for holding the interest rate as provided in the applicable Financing Agreement, the Interest Rate Index for such Series 2017 Sub-Series Bond shall be the applicable LIBOR Swap Rate plus the Sub-Series Spread, determined as of the date the Addendum associated with such Series 2017 Sub-Series Bond is executed; and

(b) If the Property Owner elects to buy down the applicable interest rate (the “SelectRate Option”) and agrees to the SelectRate Option in the Financing Agreement, the Interest Rate Index for such Series 2017 Sub-Series Bond shall be the applicable LIBOR Swap Rate plus the Sub-Series Spread, determined as of the date of the Financing Agreement associated with such Series 2017 Sub-Series Bond, minus a rate reduction determined as follows:

- (i) A 1% rate reduction, if the term of the assessment is 5 years and the Property Owner elects to buy down 3% of the cost of the Qualifying

Improvement. The dollar amount of the buy down shall be added to the principal amount to be financed.

- (ii) A 1% rate reduction, if the term of the assessment is 10, 15, 20 or 25 years and the Property Owner elects to buy down 5% of the cost of the Qualifying Improvement. The dollar amount of the buy down shall be added to the principal amount to be financed.
- (iii) A 2% rate reduction, if the term of the assessment is 5 years and the Property Owner elects to buy down 6% of the cost of the Qualifying Improvement. The dollar amount of the buy down shall be added to the principal amount to be financed.
- (iv) A 2% rate reduction, if the term of the assessment is 10, 15, 20 or 25 years and the Property Owner elects to buy down 10% of the cost of the Qualifying Improvement. The dollar amount of the buy down shall be added to the principal amount to be financed.

Section 3. Amendment to Section 8.01 of Original Indenture.

The introductory paragraph of Section 8.01 of the Original Indenture is hereby amended to read as follows:

“Section 8.01 Supplemental Indentures Not Requiring Consent of Owners of Series 2017 Bonds. The District and the Trustee may, without the consent of, or notice to, the Owners of any Series 2017 Bonds, enter into one or more Supplemental Indentures for any one or more of the following purposes:”

Section 4. Waiver of Notices. All signatories to this First Supplemental Indenture hereby waive any notice provisions that may otherwise be required under the Indenture in connection with the amendments made by this First Supplemental Indenture.

Section 5. Counterparts. This First Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 6. Confirmation of Original Indenture. Except as expressly modified hereby, all other terms and provisions of the Original Indenture shall remain in full force and effect.

[SIGNATURE PAGES FOLLOWS]

IN WITNESS WHEREOF, the District has caused this First Supplemental Indenture to be executed by its Chair and attested by its Secretary, and the Trustee has caused this First Supplemental Indenture to be executed by one of its duly authorized officers, all as of the day and year first above written.

GREEN CORRIDOR PROPERTY
ASSESSMENT CLEAN ENERGY (PACE)
DISTRICT

By: _____
Chair

Attest:

By: _____
Secretary

ZB, NATIONAL ASSOCIATION D/B/A
ZIONS BANK, A NATIONAL BANK, as
Trustee

By: _____
Name:
Title:

(Signature page to the First Supplemental Indenture)

Consented to and acknowledged:

TRILLION CAPITAL III LLC, as owner of
at least 51% in aggregate principal amount
of the outstanding Series 2017 Bonds

By: _____

Name:

Title:

(Signature page to the First Supplemental Indenture)

RESOLUTION NO. 2017-~~1107~~

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA, APPROVING AN INTERLOCAL AGREEMENT BETWEEN PALM BEACH COUNTY AND GREEN CORRIDOR PROPERTY ASSESSED CLEAN ENERGY (PACE) DISTRICT FOR A PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAM; APPROVING AN INDEMNIFICATION AGREEMENT BETWEEN PALM BEACH COUNTY AND YGRENE ENERGY FUND FLORIDA LLC FOR THE BENEFIT OF PALM BEACH COUNTY; AND AUTHORIZING THE COUNTY ADMINISTRATOR OR DESIGNEE TO EXECUTE THESE AND SUBSEQUENT AGREEMENTS WITH ADMINISTRATORS OF GREEN CORRIDOR PROPERTY ASSESSED CLEAN ENERGY (PACE) DISTRICT FOR THE BENEFIT OF PALM BEACH COUNTY, AND EXERCISE CERTAIN PROVISIONS IN THE AGREEMENTS.

WHEREAS, on April 4, 2017, the Board of County Commissioners ("BCC") adopted Ordinance 2017-012, known as the Palm Beach County PACE Program Ordinance; and

WHEREAS, the attached interlocal agreement between Palm Beach County ("County") and the Green Corridor Property Assessed Clean Energy (PACE) District ("Green Corridor") and the indemnification agreement with Ygrene Energy Fund Florida LLC ("Ygrene"), as the administrator for the Green Corridor, are being recommended for approval by the BCC.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA, THAT:

Section 1. This Board hereby approves the interlocal agreement between the County and the Green Corridor (Exhibit 1) and the indemnification agreement between the County and Ygrene, as the administrator of the Green Corridor (Exhibit 2), and this Board authorizes the County Administrator or designee to execute the above-mentioned agreements, in substantially the form attached.

Section 2. This Board authorizes the County Administrator or designee to execute indemnification agreements with subsequent administrators of the Green Corridor, in a form approved by the County Attorney's Office, to provide that such subsequent administrator of the Green Corridor shall indemnify and hold harmless the County.

Section 3. This Board authorizes the County Administrator or designee to exercise the provisions in the above-mentioned agreements including, but not limited to, audits, enforcement, revisions, notifications, and termination.

The foregoing resolution was offered by Commissioner Abrams, who moved its adoption. The motion was seconded by Commissioner Kerner, and upon being put to a vote, the vote was as follows:

COMM. PAULETTE BURDICK, Mayor	<u>Aye</u>
COMM. MELISSA MCKINLAY, Vice Mayor	<u>Aye</u>
COMM. HAL R. VALECHE	<u>Aye</u>
COMM. DAVID KERNER	<u>Aye</u>
COMM. STEVEN L. ABRAMS	<u>Aye</u>
COMM. MARY LOU BERGER	<u>Aye</u>
COMM. MACK BERNARD	<u>Nay</u>

The Mayor thereupon declared the resolution duly passed and adopted this 15th day of August, 2017.

APPROVED AS TO FORM AND
LEGAL SUFFICIENCY

PALM BEACH COUNTY, FLORIDA
BY ITS BOARD OF COUNTY
COMMISSIONERS
SHARON R. BOCK, CLERK

By: _____

County Attorney

By: _____

Deputy Clerk



**NON-EXCLUSIVE INTERLOCAL AGREEMENT BETWEEN THE GREEN
CORRIDOR PROPERTY ASSESSMENT CLEAN ENERGY (PACE) DISTRICT AND
PALM BEACH COUNTY, FLORIDA**

This Interlocal Agreement ("Agreement") is entered into ^{AUG 15 2017}, 2017 by and between the Green Corridor Property Assessment Clean Energy (PACE) District, a public body corporate and politic ("Green Corridor"), and Palm Beach County, a political subdivision of the State of Florida ("County") collectively, the ("Parties"), each one constituting a public agency as defined in Part I of Chapter 163, Florida Statutes, for the purpose of providing a PACE program within the County.

RECITALS

WHEREAS, Section 163.01, Florida Statutes, known as the "Florida Interlocal Cooperation Act of 1969" authorizes local governments to make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage and thereby to provide services and facilities that will harmonize geographic, economic, population and other factors influencing the needs and development of local communities; and

WHEREAS, Part I of Chapter 163, Florida Statutes, permits public agencies as defined therein to enter into interlocal agreements with each other to jointly exercise any power, privilege, or authority which such agencies share in common and which each might exercise separately; and

WHEREAS, Section 163.08, Florida Statutes (the "PACE Statute") authorizes financing of qualifying improvements through agreements for property to be subject to a voluntary, non-ad valorem special assessment process as the repayment mechanism, commonly known as "Property Assessed Clean Energy" or "PACE" assessments; and

WHEREAS, on August 6, 2012, the Green Corridor was created as a separate legal entity pursuant to Section 163.01(7), Florida Statutes, to finance qualifying improvements, including energy conservation and efficiency, renewable energy, and wind resistance improvements, in accordance with the PACE Statute, as may be amended by law; and

WHEREAS, on April 4, 2017, the Palm Beach County Board of County Commissioners adopted Ordinance No. 2017-012, entitled the Palm Beach County Property Assessed Clean Energy Ordinance (PACE) ("Ordinance"), and provided for certain consumer protections and requirements for PACE Providers; and

WHEREAS, the County is concurrently adopting a Resolution authorizing the Green Corridor to provide PACE financing and funding to property owners for qualifying improvements within the County, in accordance with the PACE Statute and the Ordinance; and

WHEREAS, the Parties have determined that entering into this Interlocal Agreement is in the best interest and welfare of the property owners within the County.

NOW, THEREFORE, in consideration of the terms and conditions, promises and covenants hereinafter set forth, the Parties agree as follows:

Section 1. Recitals Incorporated. The above recitals are true and correct and incorporated herein.

Section 2. Purpose. The purpose of this Interlocal Agreement is to facilitate the financing of qualifying improvements for property owners within the County in accordance with the PACE Statute, and the Ordinance, by virtue of the County's joining the Green Corridor as a non-voting member and allowing the Green Corridor's existing PACE Program ("Program") to operate within the County. Pursuant to the Ordinance, this Interlocal Agreement shall be applicable within the unincorporated areas of Palm Beach County, and in all municipalities that have not adopted an ordinance governing any or all of the subject matter of the Ordinance, regardless of the time of passage of the municipal ordinance ("participating municipalities").

Section 3. Qualifying Improvements. The County shall allow the Green Corridor to provide financing of qualifying improvements, including energy conservation and efficiency, renewable energy, and wind resistance improvements, as defined in the PACE Statute, as may be amended by law, on properties within the County and participating municipalities.

Section 4. Non-Exclusive. The Green Corridor Program is non-exclusive, meaning the County specifically reserves the right to participate with or join any other entity providing a similar program or create its own program under the PACE Statute.

Section 5. Assessment by the Green Corridor; County Collection Ministerial. The Parties hereto acknowledge and agree that the non-ad valorem assessments arising from a property owner's voluntary participation in the Program are imposed by the Green Corridor and not the County. Additionally, the Parties agree that the County's collection and distribution of any non-ad valorem assessments imposed by the Green Corridor are purely ministerial acts.

Section 6. Creation of State, County, or Municipal Debts Prohibited. The County and participating municipalities shall not incur nor ever be requested to authorize any obligations secured by special assessments associated with qualifying improvements imposed by the Green Corridor pursuant to the PACE Statute. No special purpose local government acting pursuant to the PACE Statute, the Ordinance, or this Agreement shall be empowered or authorized in any manner to create a debt as against the County and participating municipalities and shall not pledge the full faith and credit of the County and participating municipalities in any manner whatsoever. No revenue bonds or debt obligations of any special purpose local government acting pursuant to the PACE Statute, shall ever pledge or imply any pledge that the County or any participating municipality shall be obligated to pay the same or the interest thereon, nor state or imply that such obligations payable from the full faith and credit or the taxing power of the state, the County, or any participating municipality within the County as a result of the Ordinance or this Agreement. The issuance of revenue or refunding bonds by the Green Corridor under the provisions of law, the Green Corridor's governance documents, or any agreement or resolution shall not, as the result of the Ordinance or this Agreement, be deemed in any manner, directly or indirectly or contingently, to obligate the County and

participating municipalities, to levy or to pledge any form of ad valorem taxation or other county or municipal revenues or to make any appropriation for their payment whatsoever.

Section 7. Program Guidelines: The Parties agree that the Program to be offered in the County will be governed by the Ordinance and the Green Corridor's guidelines. If there is a conflict between the Green Corridor's guidelines and the Ordinance, the Ordinance shall control. Green Corridor will inform every property owner that by law these non-ad valorem assessments must be collected pursuant to sections 163.01, 163.08, 197.3632, and 197.3635, Florida Statutes; and, are not imposed by the County, any participating municipality, the property appraiser, nor the tax collector, and that they are levied and imposed solely by the Green Corridor, and only then upon voluntary application of the private property owner as expressly enabled, authorized and encouraged by the PACE Statute, as well as the Ordinance, to accomplish a compelling state interest with the Green Corridor's local government assistance.

Section 8. Opinion of Bond Counsel. Prior to the execution of this Agreement, the Green Corridor shall deliver to the County an "Opinion of Bond Counsel" stating that, based on the counsel's review of the bond validation judgment and the underlying bond documents, the Program's structure complies with the bond validation judgment and the underlying bond documents. The Green Corridor acknowledges that the County is relying on the Opinion of Bond Counsel in its decision to execute this Agreement.

Section 9. Boundaries. Pursuant to this Agreement, the boundaries of the Green Corridor shall include the legal boundaries of the County, which boundaries may be limited, expanded, or more specifically designated from time to time by the County by providing written notice to the Green Corridor. As contemplated in the Interlocal Agreement (as defined below) and as supplemented by this Agreement, the Green Corridor will, on a non-exclusive basis, levy voluntary, non ad valorem special assessments on the benefitted properties within the boundaries of the County and participating municipalities to help finance the costs of qualifying improvements for those individual properties. Those properties receiving financing for qualifying improvements shall be assessed from time to time, in accordance with the PACE Statute, the Ordinance, and other applicable law. Notwithstanding termination of this Agreement or notice of a change in boundaries by the County as provided for above, those properties that have received financing for qualifying improvements shall continue to be a part of the Green Corridor, until such time that all outstanding debt has been satisfied.

Section 10. Financing Agreement. The Parties agree that the Green Corridor may enter into a financing agreement, pursuant to the PACE Statute and the Ordinance with property owner(s) who obtain financing through the Green Corridor within the County and participating municipalities. Notwithstanding any other provision in this Agreement, rates, fees and charges shall not exceed those contained in Chapter 687, Florida Statutes.

Section 11. Amended and Restated Interlocal Agreement. The Parties agree that the County shall be subject to all terms, covenants, and conditions of the Amended and Restated Interlocal Agreement recorded in the Official Records of Miami-Dade County at Official Records Book 28217, Page 0312, which created the Green Corridor (the "Interlocal

Agreement”), incorporated herein by reference. In the event of any conflict between the Interlocal Agreement and this Agreement, this Agreement shall control the rights and obligations of the County and all participating municipalities under the Ordinance. The Green Corridor agrees to provide thirty (30) days prior written notice to County of any meeting during which amendments to the Interlocal Agreement will be considered.

Section 12. Responsibilities of the Green Corridor: Indemnification: Liability.

- a. All of the privileges and immunities from liability and exemptions from laws, ordinances and rules which apply to the activity of officials, officers, agents or employees of the Parties, and participating municipalities, shall apply to the officials, officers, agents or employees thereof when performing their respective functions and duties under the provisions of this Agreement.
- b. The County, participating municipalities, and the Green Corridor are and shall be subject to Sections 768.28 and 163.01(9)(c), Florida Statutes, and any other provisions of Florida law governing sovereign immunity. Pursuant to the PACE Statute and this Agreement, the local governments who are either the incorporators or members of the Green Corridor, or any subsequently served or participating local government shall not be held jointly liable for the torts of the officers or employees of the Green Corridor, or any other tort attributable to the Green Corridor, and the Green Corridor alone shall be liable for any torts attributable to it or for torts of its officers, employees or agents, and then only to the extent of the waiver of sovereign immunity or limitation of liability as specified in Section 768.28, Florida Statutes. The County and the Green Corridor acknowledge and agree that the Green Corridor shall have all of the applicable privileges and immunities from liability and exemptions from laws, ordinances, rules and common law which apply to the municipalities and counties of the State.
- c. To the extent provided by law, the Green Corridor agrees to protect, defend, reimburse, indemnify and hold the County and participating municipalities, its agents, employees and elected officers (Indemnified Parties), and each of them free and harmless at all times from and against any and all suits, actions, legal or administrative proceedings, claims, demands, damages, liabilities, interest, attorney's fees, costs and expenses of whatsoever kind or nature (collectively, a “Claim”) whether arising in any manner directly or indirectly caused, occasioned or contributed to in whole or in part, by reason of any act, omission or fault whether active or passive of the County or any participating municipality, of anyone acting under its direction or control, or on its behalf in connection with or incident to the performance of this Agreement. Green Corridor's aforesaid indemnity and hold harmless obligations, or portions or applications thereof, shall apply to the fullest extent permitted by law but in no event shall they apply to liability caused by the negligence or willful misconduct of the County or participating municipalities, its respective agents, servants, employees or officers, nor shall the liability limits set forth in 768.28, Florida Statutes, be waived. Nothing in this Agreement is intended to inure to the benefit of any third-party or for the purpose of allowing any claim, which would otherwise be barred under the

doctrine of sovereign immunity or by operation of law. In the event any Claim is brought against an Indemnified Party, the Green Corridor, shall upon written notice from an Indemnified Party, defend each Indemnified Party against each such Claim by counsel satisfactory to the Indemnified Party or, at the Indemnified Party's option, it may elect to provide its own defense. The obligations of this section shall survive the expiration or earlier termination of this Agreement.

- d. The Green Corridor is an independent local government. Neither the County, nor any participating municipality, who are served by the Green Corridor, shall in any manner be obligated to pay any debts, obligations or liabilities arising as a result of any actions of the Green Corridor, its Board of Directors or any other agents, employees, officers or officials of the Green Corridor, except to the extent otherwise mutually and expressly agreed upon in writing. In addition, the Green Corridor, its Board of Directors or any other agents, employees, officers or officials of the Green Corridor shall have no authority or power to otherwise obligate either the County, or any participating municipalities within the County served by the Green Corridor pursuant to the Ordinance.

Section 13. Agreements with Tax Collector, Property Appraiser and Municipalities. The Green Corridor acknowledges that the County has no authority to bind the County Tax Collector and the County Property Appraiser, and the Green Corridor will be required to enter into separate agreement(s) therewith, which shall establish the fees (if any) to be charged by the Tax Collector and Property Appraiser for the collection or handling of the Program's special assessments. The Green Corridor also acknowledges that all incorporated municipalities in the County that have not adopted an ordinance governing any or all of the subject matter of the Ordinance will be included in the Program. As the County is made aware of such cases, the County will notify the Green Corridor of any municipality that will not be included in the Program, and that the Green Corridor will have no authority to operate the Program within such municipality under the terms of this Agreement and the Ordinance.

Section 14. Resale or Refinancing of a Property. The Green Corridor recognizes that some lenders may require full repayment of the Program's special assessments upon resale or refinancing of a property subject to the Program's special assessments. The Green Corridor agrees to provide written disclosure of this matter to all property owners that may utilize the Program.

Section 15. Term of Agreement: Duration of Agreement: No Exclusivity.

- a. The term of this Agreement shall commence as of the date first above written.
- b. The term shall continue so long as the Green Corridor has obligations outstanding which are secured by pledged revenues derived from financing agreements relating to any properties within the boundaries of the County and participating municipalities, or the Green Corridor has projects for qualified improvements underway therein; the applicable provisions, authority and responsibility under this Agreement reasonably necessary to carry out the remaining aspects of the

Program and responsibilities of Green Corridor then underway, shall remain in effect and survive any termination until such time as those obligations and all associated remaining Green Corridor responsibilities are fulfilled (including, but not limited to, the collection of assessments in due course). Provided, however, the Green Corridor's powers employed and exercised shall be non-exclusive, and the County, pursuant to the Ordinance, is free to and reserves the right to enter into or otherwise encourage or commence any other program for financing qualified improvements using non-ad valorem assessments.

- c. Notwithstanding subsection (b), either party may at any time terminate this Agreement upon sixty (60) days written notice provided as required by Section 15. Provided, however, no termination of this Agreement shall preclude the Green Corridor from exercising any of its power or authority after any termination, including without limiting the generality of the foregoing, that specifically associated with its mission or collection of any of its Obligations outstanding which are secured by pledged revenues derived from financing agreements. In the event the Green Corridor's rights under this Agreement to impose new non-ad valorem assessments shall ever end, then as of the effective date of the termination, all rights and obligations of the parties shall continue as specified in subsection (B) until such time as all Green Corridor's obligations, and all associated remaining Program responsibilities are fulfilled (including, but not limited to, the collection of assessments in due course).

Section 16. Consent. This Agreement and any required resolution or ordinance of an individual Party shall be considered the County's consent to participate in the Program pursuant to the PACE Statute.

Section 17. Voting Rights. The Parties agree that the County shall be a non-voting member of the Green Corridor for the term of this Agreement.

Section 18. Notices. Any notices to be given hereunder shall be in writing and shall be deemed to have been given if sent by hand delivery, recognized overnight courier (such as Federal Express), or by written certified U.S. mail, with return receipt requested, addressed to the Party for whom it is intended, at the place specified. For the present, the Parties designate the following as the respective places for notice purposes:

County: Palm Beach County
ATTN: County Administrator
301 North Olive Avenue, Suite 1101
West Palm Beach, Florida 33401

With a copy to: Palm Beach County
ATTN: County Attorney
301 North Olive Avenue, Suite 601
West Palm Beach, Florida 33401

Green Corridor: Paul Winkeljohn, Executive Director

Green Corridor
5385 Nob Hill Road
Sunrise, Florida 33351

With a copy to: Program Counsel for the Green Corridor
Weiss Serota Helfman Cole & Bierman, P.L.
2525 Ponce de Leon Boulevard, Suite 700
Coral Gables, Florida 33134

Section 19. Amendments. It is further agreed that no modification, amendment or alteration in the terms or conditions herein shall be effective unless contained in a written document executed with the same formality and of equal dignity herewith by the Parties hereto.

Section 20. Joint Effort. The preparation of this Agreement has been a joint effort of the Parties hereto and the resulting document shall not, solely as a matter of judicial construction, be construed more severely against one of the Parties than the other.

Section 21. Merger. This Agreement incorporates and includes all prior negotiations, correspondence, agreements, or understandings applicable to the matters contained herein; and the Parties agree that there are no commitments, agreements, or understandings concerning the subject matter of this Agreement that are not contained in this document. Accordingly, the Parties agree that no deviation from the terms hereof shall be predicated upon any prior representations or agreements, whether oral or written.

Section 22. Assignment. The respective obligations of the Parties set forth in this Agreement shall not be assigned, in whole or in part, without the written consent of the other Parties hereto.

Section 23. Records. The Parties shall each maintain their own respective records and documents associated with this Agreement in accordance with the requirements for records retention set forth in Chapter 119, Florida Statutes.

Section 24. No Third Party Beneficiaries. It is the intent and agreement of the Parties that this Agreement is solely for the benefit of the Parties and participating municipalities under the Ordinance and no other party or entity shall have any rights or privileges hereunder.

Section 25. Severability. In the event a portion of this Agreement is found by a court of competent jurisdiction to be invalid, the remaining provisions shall continue to be effective.

Section 26. Administrator Indemnification: Additional Insured.

- a. The Green Corridor will promptly request and obtain from its administrator, Ygrene Energy Fund Florida LLC ("Ygrene"), and any subsequent administrator, a separate indemnification agreement as to its actions and activities on behalf of the Green Corridor concerning all of the subject matter of this Agreement for the benefit of the County and participating municipalities. The form of the indemnification agreement shall be approved by the County Attorney's Office,

prior to the administrator assuming responsibilities for the Green Corridor pursuant to this agreement.

- b. The Green Corridor will promptly request and obtain from its administrator, Ygrene, and any subsequent administrator, and provide the County a certificate showing the County as an additional insured for the coverages the Green Corridor requires of its administrator, which are currently:

Worker's Compensation	Statutory
Employer's Liability	\$1,000,000
Commercial General Liability	\$1,000,000 per occurrence \$1,000,000 aggregate
Commercial Auto Liability	\$1,000,000 combined single limit
Professional Liability (E&O)	\$1,000,000 per occurrence \$2,000,000 aggregate

- c. The statement or certificate evidencing the County is named as an additional insured will include a standard insurance industry statement prohibiting cancellation, termination, or modification of the policy or a reduction of coverage without first giving the County (as an additional insured) at least ten (10) days prior written notice of such proposed action.

Section 27. Insurance by the Green Corridor. Without waiving the right to sovereign immunity as provided by Section 768.28, Florida Statute, the Green Corridor acknowledges to be self-insured for General Liability and Automobile Liability under Florida sovereign immunity statutes with coverage limits of \$200,000 Per Person and \$300,000 Per Occurrence; or such monetary waiver limits that may change and be set forth by the legislature. In the event the Green Corridor maintains third-party Commercial General Liability and Business Auto Liability in lieu of exclusive reliance of self-insurance under Section 768.28 Florida Statute, the Green Corridor shall agree to maintain said insurance policies at limits not less than \$500,000 combined single limit for bodily injury or property damage. The Green Corridor agrees to maintain or to be self-insured for Workers' Compensation & Employer's Liability insurance in accordance with Section 440, Florida Statutes. When requested, the Green Corridor shall agree to provide an affidavit or Certificate of Insurance evidencing insurance, self-insurance and/or sovereign immunity status, which County agrees to recognize as acceptable for the above mentioned coverage. Compliance with the foregoing requirements shall not relieve the Green Corridor of its liability and obligations under this Agreement.

Section 28. Venue. The venue of any legal or equitable action that arises out of or relates to this Agreement shall be in the appropriate state court in Palm Beach County, Florida. In any such action, Florida law shall apply. BY ENTERING INTO THIS AGREEMENT, THE GREEN CORRIDOR AND COUNTY HEREBY EXPRESSLY WAIVE ANY RIGHTS EITHER PARTY MAY HAVE TO A TRIAL BY JURY OF ANY CIVIL LITIGATION RELATED TO THIS AGREEMENT. IF THE GREEN CORRIDOR FAILS TO WITHDRAW A REQUEST FOR A JURY TRIAL IN A LAWSUIT ARISING OUT OF THIS AGREEMENT AFTER WRITTEN NOTICE BY THE

COUNTY OF VIOLATION OF THIS SECTION, THE GREEN CORRIDOR SHALL BE LIABLE FOR THE REASONABLE ATTORNEYS' FEES AND COSTS OF THE COUNTY IN CONTESTING THE REQUEST FOR JURY TRIAL, AND SUCH AMOUNTS SHALL BE AWARDED BY THE COURT IN ADJUDICATING THE MOTION.

Section 29. Effective Date. This Agreement shall become effective upon the execution by the Parties hereto.

Section 30. Delegation of Duty. Nothing contained herein shall be deemed to authorize the delegation of the constitutional or statutory duties of state, county, or city officers.

Section 31. Recording. This Agreement shall be recorded by the Green Corridor with the Clerk of the Circuit Court in Palm Beach County, Florida, and Miami-Dade County, Florida.

Section 32. Equal Opportunity Provision. The Green Corridor and the County agree that their respective, agents, successors, or assigns shall not practice discrimination on the basis of race, age, color, ancestry, disability, national origin, religion, age, familial status, marital status, sex, gender, sexual orientation, gender identity and expression, or genetic information under any activity carried out by the performance of this Agreement.

Section 33. Captions. The captions and section designations herein set forth are for convenience only and shall have no substantive meaning.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have caused this Non-Exclusive Interlocal Agreement to be duly executed and entered into as of the date first above written.

R 2017-1108

BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY

AUG 15 2017

(SEAL)

By: Paulette Burdick
Paulette Burdick, Mayor

Attest:

Approved as to form:

Sharon R. Bock
Sharon R. Bock, Clerk and Comptroller
Deputy Clerk

James Brako
James Brako, Assistant County Attorney

ATTEST:

GREEN CORRIDOR PROPERTY ASSESSMENT CLEAN ENERGY (PACE) DISTRICT

By: Paul J. ...
District Secretary

By: ...
Executive Director

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

By: Chad Frin
Weiss Serota Helfman
Cole & Bierman P.L., District Attorney

Natalee B. Schaefer
APPROVED AS TO TERMS AND CONDITIONS.

[SIGNATURE PAGE TO MEMBERSHIP AGREEMENT]

EXHIBIT 2

3201741109
**INDEMNIFICATION AGREEMENT BETWEEN YGRENE ENERGY FUND FLORIDA
LLC, AS ADMINISTRATOR OF THE GREEN CORRIDOR PROPERTY
ASSESSMENT CLEAN ENERGY (PACE) DISTRICT, AND PALM BEACH COUNTY,
FLORIDA**

This Indemnification Agreement (the "Agreement") is entered into ^{AUG 15 2017} _____, 2017 by and between Ygrene Energy Fund Florida LLC ("Ygrene"), as the administrator of the Green Corridor Property Assessment Clean Energy (PACE) District ("Green Corridor"), and Palm Beach County, a political subdivision of the State of Florida ("County") (collectively, the "Parties").

WHEREAS, pursuant to the Ordinance, this Agreement shall be applicable within the unincorporated areas of Palm Beach County, and in all municipalities that have not adopted an ordinance governing any or all of the subject matter of the Ordinance, regardless of the time of passage of the municipal ordinance ("participating municipalities"); and

WHEREAS, the County and the Green Corridor have proposed to enter into an Interlocal Agreement ("Interlocal Agreement") to authorize the Green Corridor to operate in Palm Beach County pursuant to the Palm Beach County PACE Program Ordinance for the purposes of providing a Property Assessed Clean Energy (PACE) program; and

WHEREAS, Ygrene is the third party administrator for the Green Corridor and Ygrene would be operating on behalf of the Green Corridor within Palm Beach County; and

WHEREAS, Ygrene has agreed to provide the County with a separate indemnification agreement for the benefit of the County and participating municipalities.

NOW, THEREFORE, the Parties hereby agree as follows:

1. The foregoing recitals are true and correct and incorporated into this Agreement.
2. Ygrene shall indemnify and hold harmless the County and participating municipalities and their officers, employees, agents and instrumentalities from any and all liability, losses or damages, including attorneys' fees and costs of defense, which County and participating municipalities or their officers, employees, agents or instrumentalities may incur as a result of claims, demands, suits, causes of action or proceedings of any kind or nature arising out of, relating to or resulting from the performance of the Interlocal Agreement by Ygrene or its employees, agents, servants, partners, principals, administrators, subcontractors, or agents. Ygrene shall pay all claims and losses in connection therewith and shall investigate and defend all claims, suits or losses in connection therewith and shall investigate and defend all claims, suits or actions of any kind or nature in the name of the County and participating municipalities, where applicable, including appellate proceedings, and shall pay all costs, judgments, and attorney's fees which may issue thereon. Ygrene expressly understands and agrees that any insurance protection shall in no way limit the responsibility to indemnify, keep and save harmless and defend the County and participating municipalities or their officers, employees, agents and instrumentalities as herein provided.

3. This Agreement shall be interpreted and construed in accordance with and governed by the laws of the State of Florida. The parties agree that the exclusive venue for any lawsuit arising from, related to, or in conjunction with this Agreement shall be in the state courts in and for Palm Beach County, Florida, the United States District Court for the Southern District of Florida or United States Bankruptcy Court for the Southern District of Florida, as appropriate.

IN WITNESS WHEREOF, the Parties hereto have made and executed this Agreement on this _____ day of AUG 15 2017, 2017. **2017-11-09**

AUG 15 2017

APPROVED AS TO FORM
AND LEGAL SUFFICIENCY

PALM BEACH COUNTY, FLORIDA

By: *James Bock*
Assistant County Attorney
Date

By: *J. Baker*
County Administrator or Designee

For the Board of County Commissioners
Palm Beach County, Florida

Natalie Lehman
**APPROVED AS TO TERMS
AND CONDITIONS.**

Governmental Center
301 N. Olive Avenue, 12th Floor
West Palm Beach, Florida 33401

SHARON R. BOCK, CLERK
Attest:

By: _____ Date _____
Deputy Clerk

YGRENE ENERGY FUND FLORIDA LLC

By: *[Signature]* June 26, 2017
Date

Name: Joe Spector
Title: VP Florida Operations

Exhibit 8

HERO Funding 2017-2 Class A Notes

\$181,837,000 Property Assessed Clean Energy (PACE) Bond Backed Notes

Analytical Contacts:

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Executive Summary

This pre-sale report is based on information regarding the underlying Property Assessed Clean Energy (“PACE”) assessments and the terms of the securitization as of July 25, 2017. This report does not constitute a recommendation to buy, hold, or sell securities. Kroll Bond Rating Agency’s (KBRA) preliminary rating represents timely payment of interest and full payment of principal by the transaction’s legal final maturity date.

Rated Notes							
Class	Amount	Interest Rate	Payment Frequency	Expected Maturity Date	Legal Maturity Date	Advance Rate	Preliminary KBRA Rating
Class A1 Notes	\$91,000,000	[TBD]%	Semi-Annual	September 20, 2043	September 20, 2048	97.00%	AA (sf)
Class A2 Notes	\$90,837,000	[TBD]%	Semi-Annual	September 20, 2043	September 20, 2048	97.00%	AA (sf)
Class B Notes	\$23,000,000	[TBD]%	Semi-Annual	September 20, 2043	September 20, 2048	NA	NR
Total	\$204,837,000						

KBRA has analyzed this transaction using the [General Rating Methodology for Asset-Backed Securities](#) published on July 30, 2012. PACE assessments fall within Category 1: Financial Assets. The key determinants considered in the rating outcome are: a structural and legal analysis of the transaction; the treatment of PACE assessments as special assessments having lien priority on par with senior tax liens; and the creditworthiness of the Counties acting as servicers.

Transaction Overview

The Class A1 Notes and Class A2 Notes (together, the “Class A Notes”) are secured by an Initial PACE Bond Portfolio and a Subsequent PACE Bond Portfolio (together, the “PACE Bond Portfolio”), each consisting of limited obligation improvement bonds (each, a “PACE Bond”) issued by the Western Riverside Council of Governments (“WRCOG”), San Bernardino Associated Governments (“SANBAG”) and the County of Los Angeles, California (“LA County”, and together with WRCOG and SANBAG, the “PACE Bond Issuers”). The Initial PACE Bond Portfolio comprises 222 PACE Bonds with an aggregate principal balance of approximately \$140.6 million and is secured by 6,255 PACE assessments levied against 6,255 residential properties (“PACE Assessments”) in 39 California counties. The average PACE Assessment is approximately \$22,477 with an average annual payment of approximately \$2,622. The Subsequent PACE Bond Portfolio is expected to consist of PACE Bonds with an aggregate principal balance of \$46.9 million. The transaction benefits from credit enhancement in the form of excess spread, overcollateralization, and a liquidity reserve. Under all circumstances the Class A1 Notes and Class A2 Notes are pari passu with respect to the Priority of Payments.

The Class A Notes have been designated as Green Bonds.

Transaction Parties: Class A Notes	
Issuer	HERO Funding 2017-2 (“HERO 2017-2”)
Transferor	HERO Funding, LLC
Administrator / Portfolio Administrator	DMS Bank & Trust Ltd.
ABS Note Trustee / Custodian	The Bank of New York Mellon Trust Company, N.A.
Co-Managers	Academy Securities and Jefferies LLC
Sole Structuring Agent / Joint Book Runner	Morgan Stanley & Co., LLC
Joint Book Runner	Barclays Capital Inc. and Bank of America Merrill Lynch

Transaction Parties: PACE Bond Portfolio	
PACE Bond Issuers	Western Riverside Council of Governments ("WRCOG") San Bernardino Associated Governments ("SANBAG") County of Los Angeles, California ("LA County")
Assessment Administrator	David Taussig & Associates, Inc. ("DTA")
Program Administrator	Renovate America, Inc.
Counties	County of Alameda, California County of Amador, California County of Butte, California County of Contra Costa, California County of El Dorado, California County of Fresno, California County of Humboldt, California County of Imperial, California County of Kern, California County of Kings, California County of Los Angeles, California County of Madera, California County of Marin, California County of Mendocino, California County of Merced, California County of Monterey, California County of Napa, California County of Nevada, California County of Orange, California County of Riverside, California County of Sacramento, California County of San Bernardino, California County of San Diego, California County of San Francisco, California County of San Joaquin, California County of San Luis Obispo, California County of San Mateo, California County of Santa Clara, California County of Santa Cruz, California County of Shasta, California County of Solano, California County of Sonoma, California County of Stanislaus, California County of Sutter, California County of Tehama, California County of Tulare, California County of Ventura, California County of Yolo, California County of Yuba, California
PACE Bond Trustee	Deutsche Bank National Trust Company

Key Credit Considerations

Characteristics of PACE Assessments

PACE assessments are payable in equal semi-annual installments together with the **property owner's *ad valorem*** real estate taxes. Under California law, PACE assessments have equal lien priority with real estate taxes and other special assessments and are senior to all non-tax liens, including mortgages.

Generally, the amount of a PACE assessment is small compared to the value of the related property. The maximum initial lien-to-value ("**LTV**") for PACE assessments included in HERO 2017-2 is approximately 14.98%. PACE assessments constitute liens against the entire property, not just the specific improvement installed and funded under the PACE program. The assessment remains with the property, irrespective of any intervening sales, until it is fully paid.

There is no acceleration of the assessment in the event of foreclosure and default. Unlike in the case of residential mortgages where the entire loan balance would be due at foreclosure, only current amounts and the amounts in arrears on a PACE assessment, including fees and penalties, are due. The purchaser of the property out of foreclosure is required to continue making the payments on the assessment once the property is taken over. As a result, the amount at risk when a property owner fails to pay is not the full amount of the assessment but only the assessment installment amount that is in arrears.

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Regulatory Inquiry Concerning Undisclosed Payment Assistance

Renovate America, the program administrator, has recently been subject to an informal SEC request for production relating to certain practices involving customer service payment assistance for homeowners. Renovate America is complying with the voluntary request. Such payments are instances of first payment support for homeowners who may not have fully understood the terms of their obligations, incorrect payment amounts for prepayments or final payments, payment assistance **for settling disputes regarding contractor's work, and payment assistance** with the settlement of disputes with respect to certain fees. Renovate America has now disclosed this information and KBRA has performed additional diligence on the Company. As part of its ongoing surveillance, KBRA will continue to monitor Renovate America's **policies and procedures regarding customer service payment assistance**, consumer disclosures and contractor management. KBRA will factor these variables into its ratings assignment. (See **Key Credit Consideration entitled "Heightened Regulatory Scrutiny"** below).

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Transaction Structure

KBRA believes the transaction benefits from sufficient credit enhancement and a structure that accelerates principal payments to the rated notes upon weakening asset performance.

HERO 2017-2 utilizes an amortization schedule that sets a minimum threshold for the amount of amortization required on the notes on each payment date. In addition to requiring a payment of principal equal to 97% of all principal, prepayments and recoveries received on the PACE Assessments for such payment date, the waterfall

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provides that if the current note balance exceeds a targeted note balance for such payment date, remaining available funds will be used to pay down principal until such excess is eliminated.

Credit enhancement consists of excess spread, overcollateralization and a liquidity reserve account.

- **Excess spread:** HERO 2017-2 contains significant excess spread, which results from the difference between the weighted average interest rate of the PACE Bond Portfolio and the interest rate on the notes. **The PACE Bond Portfolio's** expected weighted average coupon based on the worst case pool mix permitted by the Eligibility Criteria is 6.90%. **KBRA's analysis assumes an ABS note rate** equal to 4.50%, resulting in 2.40% of initial excess spread available to cover losses. Any excess interest cash flows from the PACE Bond Portfolio will be available to pay principal should PACE Assessment defaults rise and the current note balance exceeds the targeted note balance.
- **Overcollateralization:** Overcollateralization will be 3.00% of the initial aggregate PACE Bond principal amount.
- **Liquidity reserve:** The liquidity reserve amount will initially be funded with \$1.1 million. On the initial semi-annual payment date during the Prefunding Period, an amount will be deposited into the liquidity reserve account such that its balance equals 1.00% of the aggregate PACE Bond principal balance. On the second semi-annual payment date an amount will be deposited into the liquidity reserve such that its balance equals 2.00% of the aggregate PACE Bond principal balance. On subsequent payment dates the liquidity reserve account will be maintained at the greater of \$1,000,000 and 2.00% of the outstanding collateral principal amount as at such payment date, which equals approximately 6 months of interest.

FHFA Objections to Residential PACE Programs

The Federal Housing Finance Agency ("FHFA"), the conservator of Fannie Mae and Freddie Mac, believes that PACE liens with priority over existing mortgages are unlike routine tax assessments and contravene the terms of Fannie's and Freddie's form mortgages prohibiting senior liens. Although the PACE Bond Issuers have obtained final, non-appealable judicial orders from Superior Courts in Riverside, San Bernardino and Los Angeles Counties affirming the validity, enforceability and seniority of the **PACE liens, FHFA's public opposition indicates there is a risk the FHFA may challenge** the validity of a PACE lien against a mortgagee's security interest in federal court. A successful challenge may result in impairment of the PACE Assessments.

While KBRA views this risk as remote, KBRA applied a stress scenario to test the risk of the **pool's exposure to properties that** are encumbered by a Fannie or Freddie lien. The stress scenario assumed that in the event of a default on a PACE assessment relating to a property encumbered by a Fannie or Freddie lien (and therefore a default on the subordinate mortgage loan), the FHFA was effectively able to nullify the amount due in arrears through litigation. Pursuant to the PACE Bonds Eligibility Criteria, KBRA assumes that approximately 39% of the pool will consist of properties encumbered by a Fannie or Freddie mortgage. As a result, KBRA assumed a blended average of 61% recoveries with respect to each default (i.e. 100%

recoveries, albeit delayed 48 months, with respect to the non-Fannie and non-Freddie obligors and 0% recoveries for the delinquent PACE Assessment amounts in arrears with respect to properties that were encumbered with a Fannie or Freddie mortgage). The results of such stress are shown in “Cash Flow Stress Scenarios & Results”, Scenario 3.

Heightened Regulatory Scrutiny

Lawmakers in the U.S. Senate have recently introduced legislation that would require Truth in Lending Act disclosure for PACE assessments. Similar legislation is expected to be proposed in the House of Representatives, which may include further requirements such as placing PACE assessments under the regulatory purview of the Consumer Financial Protection Bureau (“CFPB”). This heightened legislative scrutiny follows growing concerns with the PACE industry generally. Several articles have appeared recently calling into question the disclosure practices of PACE providers.

Much of the concern with PACE assessments is in response to the fact that currently PACE assessments are not directly regulated by any federal or state agencies, and unlike other consumer loans where the underwriting guidelines take into account the credit history of the borrower and his or her ability to pay, PACE assessments are underwritten on the value of the property securing it. These concerns, however, are partially mitigated by some of the self-regulatory steps PACE providers have taken, in conjunction with their respective Joint Powers of Authority, to implement industry-wide guidelines, best practices and the eligibility criteria set forth in the Key Credit Consideration below entitled “Underwriting Guidelines”, all of which KBRA views as a credit positive. Governmental regulation that requires originators to strengthen underwriting procedures and increase their focus on a consumer’s ability to repay would likely be a positive development for the PACE asset class.

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Suspension of New PACE Originations in Kern County, CA

Recently, Kern County, CA voted to suspend new PACE originations in unincorporated cities within the county primarily due to realtors’ complaints that the lien status of a PACE assessment relative to the mortgage lien creates illiquidity for homes, making home sales and refinances more difficult. In addition, the incorporated City of Bakersfield located in Kern County has opted out. The PACE assessments in Kern County included in existing term securitizations are not impacted by this decision.

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Underwriting Guidelines

At the time of origination, each PACE program includes eligibility requirements covering the property owner and property, including:

- Applicant(s) must be the property owner(s) of record;
- Property must be located within the boundaries of the Program;
- Only improved properties will qualify. New construction is not eligible, unless ownership has been transferred from the developer to the property owner. “New construction” includes new homes under construction and additions to existing structures;
- Mobile homes and manufactured homes shall qualify if they are permanently

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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);

- Property owner(s) must be current on their property taxes and property taxes have not been paid late more than once during the prior three years (or since the purchase if owned by them for less than three years);
- Property owners must be current on all property debt of the subject property at the time of application and cannot have had more than one 30 day mortgage late payment over the prior 12 months (or with respect to the City of San Diego, twenty-four (24) months and with respect to the City of Chula Vista, thirty-six (36) months);
- Property must not have any federal or state income tax liens, judgment liens, **mechanic's liens or similar involuntary liens on the property unless (a) the property owner is on a written payment plan with regard to the lien, (b) the property owner has made 12 months of on-time payments under the payment plan and (c) the sum of all liens and mortgages on the property are less than 90% of the property value.** Prohibited liens do not include community facility district assessments or other financing district liens placed on all properties in that particular financing district;
- Property owner(s) have not been involved in a bankruptcy proceeding during the past seven years and the property may not currently be an asset in a bankruptcy proceeding. However, for all jurisdictions, with the exception of the City of San Diego, if the bankruptcy is more than two years old, and if the property owner has no additional late payments more than 60 days past due in the last 24 months, the property owner may be approved;
- Mortgage-related debt on the property must not exceed 90% of the value of the property. The amount financed under the Program is limited to 15% of the value of the property on the initial \$700,000 of the value and 10% of the value of the property in excess of \$700,000;
- The combined amount to be financed under the PACE program plus the mortgage debt must not exceed 100% of the value of the property. For the jurisdiction of the Cities of San Diego and Chula Vista and the County of Contra Costa, the combined amount to be financed under the PACE program plus the mortgage debt must not exceed 95% of the value of the property;
- The total annual property tax and assessments, including the PACE Assessment, on the property will not exceed 5% of the property's market value, as determined at the time of approval of the contractual assessment; and
- All property owners must sign all required documentation, including but not limited to the application, the Completion Certificate and the Assessment Contract with all other required Financing Documents.

KBRA views the eligibility requirements, especially the low maximum LTV of the PACE assessment, as a positive credit consideration for this transaction.

Advance Payment Obligations of Renovate America

To the extent that an underlying PACE Assessment does not conform to certain agreed transaction guidelines and such non-conformity has a material and adverse effect on the noteholders, Renovate America, Inc., which acts as the Program Administrator for WRCOG, SANBAG and LA County in the origination of PACE Assessments, has agreed to make an advance to the Issuer equal to the outstanding principal balance of the non-conforming PACE Assessment plus interest to the next payment date. On the payment date the sum advanced will be applied in accordance with the Priority of Payments described below.

This obligation, which is present in all HERO transactions issued since 2015, was not a requirement of any party in HERO 2014-1 and HERO 2014-2. The inclusion of this recourse to Renovate America, Inc. in the case of certain non-conforming PACE Assessments is consistent with the "buyback" obligation that is present in most asset-backed securitizations and provides investors with additional comfort that the PACE Assessments comply with the material guidelines established for the PACE program. After receipt of an advance payment, if the Issuer receives subsequent amounts representing payments from the property owner in respect of the non-conforming PACE Assessment, these proceeds would be paid by the Issuer to Renovate America, Inc.

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Creditworthiness of the Counties

PACE Assessment collections may be commingled with other tax revenues of the counties for several months before being remitted to the PACE Bond Trustee. As such, there is a risk that a portion of collections may be subject to an automatic stay in the event of a bankruptcy of a county. KBRA has assessed the creditworthiness for the **Counties of Riverside, San Diego and Los Angeles and has concluded each county's** current financial standing does not act as a constraint on the rating of the notes. The transaction also includes thirty-six other counties, the largest of which represents approximately 8.9% of the portfolio. KBRA does not generally perform a separate credit estimate for counties in which less than 10% of the portfolio is located.

Other transaction components that mitigate county bankruptcy risk include the divergence of certain amounts of excess cash into a reserve account in case a county is downgraded below investment grade and the requirement that the PACE Bond Issuers (other than LA County) seek a court order directing that future PACE Assessment payments be separately collected and paid to the PACE Bond Trustee if a county is in bankruptcy.

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Counties Do Not Accept Partial Payments

When PACE Assessments are entered on the tax roll, the county bills them along with other real estate taxes. Except for Los Angeles County (25.4% of the Initial PACE Bond Portfolio), none of the counties related to this pool accept partial payments from the taxpayer. Partial payments are generally returned to the taxpayer and the entire tax payment, including the PACE Assessment, is considered delinquent. KBRA views this as a credit positive as it mitigates the risk of selective defaults of the PACE Assessments. In the case of Los Angeles County, full payment must be received from the taxpayer in order for the tax bill to be considered paid-in-full, i.e., a taxpayer is **still considered delinquent despite Los Angeles County's** acceptance of a partial

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payment by the taxpayer. Payments by property owners of their taxes and assessments received by the counties generally are applied pro rata across all taxes and assessments due.

Lack of Historical Loss Data

As a new asset class, there is minimal historical PACE assessment default or foreclosure data available. In its analysis, KBRA used historical residential real estate tax default data for the counties where the properties subject to the PACE Assessments are located as a proxy for PACE Assessment defaults. KBRA views this as an acceptable proxy, since PACE assessments are equal in priority to other real estate taxes. As noted above, none of the counties related to the HERO 2017-2 pool accepts partial payment of taxes except for Los Angeles County.

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Geographical Concentration

All PACE Assessments are levied on properties located in California, with Los Angeles, Riverside, San Diego and San Bernardino Counties accounting for approximately 61.7% of the principal balance. Adverse economic circumstances or catastrophic events, such as earthquakes and floods, in the counties represented in this transaction may have a significant impact on the ability of obligors to make payments on the PACE Assessments. As the HERO securitization program has evolved, it has become increasingly geographically diverse. Initially, in the HERO 2014-1 transaction, all of the assessments were located in one county (Riverside). The number of counties then grew to 11 counties in HERO 2014-2, 21 counties in HERO 2015-1, 26 counties in HERO 2015-2, 26 counties in HERO 2015-3, 27 counties in HERO 2016-1, 31 counties in HERO 2016-2, 34 counties in HERO 2016-3, 36 counties in 2016-4, 38 counties in HERO 2017-1, and 39 counties in this transaction, although the portfolio is still heavily concentrated in southern California.

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Option to Advance Funds for Delinquent Assessments

Each PACE Bond Issuer, WRCOG, SANBAG or LA County, as well as other third parties such as Renovate America, has the option to advance funds to pay delinquent PACE Assessments. Proceeds related to any advance will be applied in accordance with the Priority of Payments on the subsequent payment date. As a result of an advance, the PACE Bond Issuer would forbear from foreclosing on the related property.

KBRA views the potential advance of funds by a PACE Bond Issuer, or a third party, to pay delinquent PACE Assessments as a credit positive as the projected maximum amount of cash for a collection period may be available for debt service.

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To the extent a delinquent assessment receives an advance of funds, the party that advances such funds will be entitled to receive those proceeds along with any penalty interest or penalty fees that were received. These amounts are separated from the total proceeds received by the PACE Bond Issuer and are not used to make debt service payments on the PACE Bonds to the Collection Account. Reimbursement of such amounts to the party advancing the funds is only with respect to the individual(s) delinquent PACE Assessment installments, where an advance of funds was provided by a PACE Bond Issuer and subsequently paid.

Collateral Overview

Thirty-three states in the U.S. and Washington, D.C. have passed legislation allowing municipalities to create PACE programs. PACE programs enable local governments to finance renewable energy and energy efficiency projects on privately owned residential, commercial, agricultural, and industrial properties. The purpose of PACE programs is to promote energy efficiency, water conservation and renewable energy improvements, support green job creation, and stimulate economic activity. The programs also eliminate the barriers of high upfront costs and lack of available funding for eligible improvements.

In California, property owners may enter into voluntary contractual assessments levied on residential properties in order to finance the acquisition and installation of eligible energy efficiency, water conservation and renewable energy improvements, which are known as PACE assessments. A PACE assessment constitutes a lien against the entire property, not just the specific improvement installed and funded by the PACE assessment. The assessment remains with the property, irrespective of any intervening sales, until it is fully paid. The lien of each PACE assessment is equal to liens for ad valorem taxes on real property, is generally not subject to extinguishment upon sale of the property, and is considered senior to all non-tax liens.

PACE Bonds

The PACE Bond Issuers have established PACE programs to provide funding for renewable energy, energy-efficient, or water conservation improvements on residential properties located in WRCOG Participating Member Jurisdictions located in western Riverside County, SANBAG, Participating Member Jurisdictions located in San Bernardino County and LA County Participating Member Jurisdictions located in Los Angeles County. Due to the success of the WRCOG PACE program and inquiries by cities and counties located outside of western Riverside County, WRCOG has also established the California HERO Program for cities and counties outside of WRCOG's jurisdictional boundaries.

PACE Bonds are limited obligation improvement bonds issued by the PACE Bond Issuers. Each PACE Bond is secured by certain PACE Assessments levied on residential properties in the Counties. Scheduled payments are made on the PACE Bond on March 2 and September 2 of each year using payments received from the PACE Assessments. The PACE Bond payments made on March 2 are comprised of interest, prepayments of principal and recoveries, and payments made on September 2 are comprised of interest, principal, prepayments and recoveries.

HERO 2017-2 Collateral Overview

The notes are secured by the PACE Bond Portfolio, composed of the Initial PACE Bond Portfolio and the Subsequent PACE Bond Portfolio. The Initial PACE Bond Portfolio consists of 222 PACE Bonds issued by the PACE Bond Issuers. These PACE Bonds are secured by 6,255 assessments levied against 6,255 residential properties in 39 California counties. The average PACE Assessment is approximately \$22,477 with an average annual payment of approximately \$2,622. Approximately \$46.9 million of PACE Bonds in the Subsequent PACE Bond Portfolio are expected to be delivered after closing and, together with the Initial PACE Bond Portfolio, will be subject to the PACE Bonds Eligibility Criteria ("**Eligibility Criteria**") found in the **Appendix** of this report. In order to model cash flows from the Subsequent PACE Bond Portfolio, KBRA used a representative pool of assets exhibiting the most conservative characteristics permitted by the Eligibility Criteria. A summary of both the PACE Assessments and the Initial PACE Bond Portfolio are shown in the tables below.

Initial PACE Bond Portfolio Summary		Initial PACE Bond Portfolio by County			
Summary of Assessments		County	# of Assessments	Principal Balance	% of Principal Balance
Number of Assessments	6,255	Los Angeles	1,371	\$35,646,781	25.35%
Avg Assessment Value	\$22,477	Riverside	1,020	\$22,608,234	16.08%
Range	\$5,175 - \$229,268	San Diego	667	\$15,907,630	11.31%
Avg Annual Payment	\$2,622	San Bernardino	635	\$12,568,294	8.94%
Range	\$475 - \$27,031	Sacramento	404	\$8,105,451	5.77%
WA Assessment LTV	6.55%	Orange	286	\$7,021,909	4.99%
Range	0.26% - 14.98%	Fresno	298	\$5,420,116	3.86%
WA Mortgage LTV	57.45%	Contra Costa	208	\$4,955,673	3.52%
Range	0.00% - 90.00%	San Joaquin	233	\$4,740,224	3.37%
WA Combined LTV	64.00%	Kern	167	\$2,886,306	2.05%
Range	0.27% - 99.96%	Stanislaus	159	\$2,593,330	1.84%
Summary of PACE Bonds		Ventura	103	\$2,402,658	1.71%
Number of Bonds	222	Solano	101	\$2,329,301	1.66%
Total Principal Amount	\$140,596,172	Alameda	72	\$1,884,080	1.34%
WA Coupon	7.32%	Merced	76	\$1,602,911	1.14%
Range	2.99% - 8.35%	Tulare	72	\$1,143,928	0.81%
WA Original Term	17.40 years	Santa Clara	45	\$1,121,762	0.80%
Range	5 - 25 years	Imperial	60	\$817,795	0.58%
		El Dorado	31	\$791,703	0.56%
		Sonoma	38	\$766,854	0.55%
		San Mateo	17	\$646,109	0.46%
		Kings	35	\$642,964	0.46%
		San Francisco	15	\$619,799	0.44%
		Yolo	23	\$517,400	0.37%
		Madera	28	\$493,186	0.35%
		Sutter	17	\$388,951	0.28%
		Napa	13	\$326,096	0.23%
		Yuba	13	\$325,881	0.23%
		Marin	13	\$324,452	0.23%
		Monterey	11	\$241,277	0.17%
		Santa Cruz	6	\$217,397	0.15%
		Butte	7	\$216,078	0.15%
		Mendocino	1	\$87,680	0.06%
		Tehama	2	\$57,725	0.04%
		Amador	3	\$49,133	0.03%
		Shasta	2	\$43,882	0.03%
		Nevada	1	\$35,700	0.03%
		Humboldt	1	\$27,612	0.02%
		San Luis Obispo	1	\$19,908	0.01%
		Total	6,255	140,596,172	100.00%

Transaction Comparison

The table below compares the characteristics of HERO 2017-2 to the previous HERO transactions. There are 222 microbonds that were issued to originate the PACE Assessments in the Initial PACE Bond Portfolio. HERO 2017-2 features four counties (Riverside, San Bernardino, San Diego and Los Angeles) that represent a majority (approximately 61.7%) of the collateral.

The liquidity reserve amount will initially be funded with \$1.1 million. On the initial semi-annual payment date during the Prefunding Period, an amount will be deposited into the liquidity reserve account such that its balance equals 1.00% of the aggregate PACE Bond principal balance. On the second semi-annual payment date an amount will be deposited into the liquidity reserve such that its balance equals 2.00% of the aggregate PACE Bond principal balance. On subsequent payment dates the liquidity reserve account will be maintained at the greater of \$1,000,000 and 2.00% of the outstanding collateral principal amount as at such payment date, which equals approximately 6 months of interest. The mechanism used to

deposit funds into the liquidity reserve account will resemble the manner in which the liquidity reserve accounts were funded in the prior HERO transactions.

Collateral Comparison								
Summary of Assessments	HERO 2015-2	HERO 2015-3	HERO 2016-1	HERO 2016-2	HERO 2016-3*	HERO 2016-4*	HERO 2017-1*	HERO 2017-2*
Number of Assessments	7,558	8,939	9,252	13,432	12,394	9,008	8,275	6,255
Avg Assessment Value	\$21,795	\$23,243	\$24,236	\$23,433	\$21,310	\$22,723	\$23,169	\$22,477
Avg Annual Payment	\$3,024	\$3,197	\$3,296	\$3,159	\$2,916	\$2,979	\$2,802	\$2,622
WA Assessment LTV	7.27%	7.43%	7.46%	7.09%	6.60%	6.68%	6.76%	6.55%
WA Mortgage LTV	61.60%	61.30%	59.74%	58.40%	58.47%	56.07%	54.60%	57.45%
WA Combined LTV	68.86%	68.73%	67.20%	65.49%	65.08%	62.74%	61.37%	64.00%
Summary of PACE Bonds	HERO 2015-2	HERO 2015-3	HERO 2016-1	HERO 2016-2	HERO 2016-3*	HERO 2016-4*	HERO 2017-1*	HERO 2017-2*
Number of PACE Bonds	18	32	28	24	180	139	175	222
Total Principal Amount	\$164,725,261	\$207,765,921	\$224,230,116	\$314,756,149	\$264,122,074	\$204,684,402	\$239,664,185	\$140,596,172
WA Coupon	8.13%	7.93%	7.94%	7.96%	7.93%	7.99%	8.10%	7.32%
WA Original Term (years)	14.81	14.46	13.83	14.95	14.56	15.48	17.70	17.40
Number of Counties	26	26	27	31	34	36	38	39
Number of Counties >10% of Collateral	4	4	4	4	4	3	3	3

* Initial PACE Bond portfolio only

Prefunding Account

On or before closing, an amount of \$51,209,250 is expected to be deposited into a Prefunding Account to fund the purchase of PACE Assessments underlying PACE Bonds in the Subsequent PACE Bond Portfolio between closing and the earlier of October 2, 2017 and the occurrence of an Event of Default (the "Prefunding Period"). All PACE Assessments will be subject to the Eligibility Criteria that govern the aggregate PACE Bond Portfolio (Initial and Subsequent PACE Bond Portfolios combined) regarding characteristics such as the minimum representation of PACE Bonds with a certain term and coupon, FICO band limits and county distribution. The complete Eligibility Criteria can be found in the [Appendix](#) of this report. In order to model cash flows from the Subsequent PACE Bond Portfolio, KBRA used a representative pool of assets exhibiting the most conservative characteristics permitted by the Eligibility Criteria.

Process Overview

Key Parties

Renovate America

Renovate America was founded in 2009 exclusively to work with local governments to enact the HERO financing program. Renovate America has developed a front end residential related PACE program that can be tailored to individual local jurisdictions. Once a program is created and implemented, Renovate America is contracted to market and originate new assessments on an ongoing basis.

Renovate America is headquartered in San Diego, CA and currently employs more than 532 full time employees. With a focus on technology and automation, Renovate America's program is scalable and designed for growth. Currently all clients are focused in California and Missouri, although the company expects to grow via new jurisdictions throughout California, Florida and other states. Management is experienced in technology, governmental programs and energy related businesses.

WRCOG, SANBAG and LA County have each contracted with Renovate America to establish and administer a PACE program. Renovate America is directly responsible for developing and marketing the program and originating each assessment. Renovate America is also involved in funding and transferring data to the county.

David Taussig & Associates, Inc.

David Taussig & Associates, Inc. ("DTA") is a national public finance consulting firm founded in 1985 and headquartered in Newport Beach, CA. The company provides oversight to governmental agencies in managing their funding programs. Specific functions include calculation of monthly charges, preparation of delinquency reports and responding to property owner inquiries. DTA currently administers over 300 regional and benefit-area-based fee programs, including PACE programs.

WRCOG and SANBAG have contracted with DTA to perform a number of administrative activities related to the ongoing maintenance of each PACE program. LA County has contracted with Renovate America, who in turn has contracted with DTA to perform administrative duties to the LA County PACE program. DTA initially provided consulting services in developing the PACE program and the company works closely with Renovate America to originate each PACE assessment. As part of its ongoing obligation, DTA maintains a database with all PACE assessment documentation and information. The company provides each county with billing information, delinquency data and parcel details.

Assessment Origination

Renovate America originates 80-90% of all PACE assessments through contractor referrals. Each contractor must be licensed and bonded by the California Contractors State License Board and must be registered with Renovate America to participate in the HERO program. Renovate America provides contractors with training on the HERO program, acceptable marketing practices and eligible equipment criteria. Contractors are also given access to a proprietary **'contractor only' website that provides financing data, tracking capabilities and marketing information**. According to Renovate America, there are currently more than 8,000 approved contractors in the network. A 37 person team manages the contractor oversight process, including compliance and training.

Underwriting is done through a proprietary **Automated Underwriting System ("AUS")**. Although a credit score is not used to underwrite, credit reports are pulled and reviewed on all applicants to determine potentially fraudulent activity associated with the property owner and to verify mortgage-related payment history. Renovate America uses a proprietary Automated Valuation Model ("AVM") that utilizes data pulled from various real estate data providers to determine property value. Declines are typically due to high real estate mortgage loan-to-value. All PACE Assessments included in this transaction conform to the underwriting criteria.

Property owners and properties must meet the following criteria to be eligible:

- Applicant(s) must be the property owner(s) of record;
- Property must be located within the boundaries of the Program;
- Only improved properties will qualify. New construction is not eligible, unless ownership has been transferred from the developer to the property owner. **"New construction" includes new homes under construction and additions to existing structures;**
- Mobile homes and manufactured homes shall qualify if they 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);
- Property owner(s) must be current on their property taxes and property taxes have not been paid late more than once during the prior three years (or since the purchase if owned by them for less than three years);

- Property owners must be current on all property debt of the subject property at the time of application and cannot have had more than one 30 day mortgage late payment over the prior 12 months (or with respect to the City of San Diego, twenty-four (24) months and with respect to the City of Chula Vista, thirty-six (36) months);
- Property must not have any federal or state income tax liens, **judgment liens, mechanic's liens or** similar involuntary liens on the property unless (a) the property owner is on a written payment plan with regard to the lien, (b) the property owner has made 12 months of on-time payments under the payment plan and (c) the sum of all liens and mortgages on the property are less than 90% of the property value. Prohibited liens do not include community facility district assessments or other financing district liens placed on all properties in that particular financing district;
- Property owner(s) have not been involved in a bankruptcy proceeding during the past seven years and the property may not currently be an asset in a bankruptcy proceeding. However, for all jurisdictions, with the exception of the City of San Diego, if the bankruptcy is more than two years old, and if the property owner has no additional late payments more than 60 days past due in the last 24 months, the property owner may be approved;
- Mortgage-related debt on the property must not exceed 90% of the value of the property. The amount financed under the Program is limited to 15% of the value of the property on the initial \$700,000 of the value and 10% of the value of the property in excess of \$700,000;
- The combined amount to be financed under the PACE program plus the mortgage debt must not exceed 100% of the value of the property. For the jurisdiction of the Cities of San Diego and Chula Vista and the County of Contra Costa, the combined amount to be financed under the PACE program plus the mortgage debt must not exceed 95% of the value of the property;
- The total annual property tax and assessments, including the PACE Assessment, on the property will not exceed 5% of the property's market value, as determined at the time of approval of the contractual assessment; and
- All property owners must sign all required documentation, including but not limited to the application, the Completion Certificate and the Assessment Contract with all other required Financing Documents.

To the extent that an underlying PACE Assessment does not conform to certain agreed transaction guidelines and such non-conformity has a material and adverse effect on the noteholders, Renovate America, Inc., which acts as the Program Administrator for WRCOG, SANBAG and LA County in the origination of PACE Assessments, has agreed to make an advance to the Issuer equal to the outstanding principal balance of the non-conforming PACE Assessment plus interest to the next payment date. On the payment date the sum advanced will be applied in accordance with the Priority of Payments described below.

The advance payment obligation was not a requirement of any party in HERO 2014-1 and HERO 2014-2. The inclusion of this recourse to Renovate America, Inc. in the case of certain non-conforming PACE **Assessments is consistent with the "buyback" obligation that is present in most asset-backed securitizations** and provides investors with additional comfort that the PACE Assessments comply with the material guidelines established for the PACE program. After receipt of an advance payment, if the Issuer receives subsequent amounts representing payments from the property owner in respect of the non-conforming PACE Assessment, these proceeds would be paid by the Issuer to Renovate America, Inc.

Interest rate and term options are provided to the applicant in the financing documents. The term of the PACE assessment cannot exceed the useful life of the asset. Since the assessment is not a loan, there are no specific disclosures required or consumer protection laws applicable, although the application for the HERO program contains several disclosures regarding fees and foreclosure.

Prior to funding, all related parties (including Renovate America, DTA and WRCOG, SANBAG or LA County) must review closing documentation and approve the financing. The lien is then recorded by the county recorder. Funds are wired directly to the contractor (or directly to the homeowner if there is no contractor involved) only after installation is complete and certified by the homeowner.

Servicing

The Counties are responsible for billing and collecting the PACE Assessments. Each assessment is included on a **property owner's tax bill as a separate line item. As discussed**, DTA prepares and submits the annual assessment roll to the county auditor's office.

Each county mails annual property tax bills to property owners each October. The property tax bills identify the amounts to be paid for the year as two equal installments: payments are due by November 1 and February 1 of each year. The Counties accept property tax bill payments via mail, over the phone with a credit card, online with a credit card or e-check, electronic funds transfer, Western Union, or in person. Most payments are received from mortgage servicers as part of a borrower's escrowed tax payment.

Each county represented in this pool other than Los Angeles County will not accept partial payments and none of the Counties will accept directed payments. All tax and assessment payments are generally applied pari passu and must be paid in full, except in Los Angeles County, or the payment will not be accepted and will be returned to the taxpayer. Additionally, first installment taxes must be paid before a county will accept funds for the second installment. Prepayments of PACE assessments are permitted. Once received, the Counties send the assessment funds to the PACE Bond Trustee periodically throughout the year.

If the property tax is not paid by 5:00 pm on December 10 and April 10 of each year, a 10% penalty is applied by the Counties. In addition, on July 1 of each year, the county will apply an interest charge of 1.5% per month until the property tax is paid. Generally, late penalties not retained by the counties received on defaulted PACE Assessments will be available to pay principal and interest on the notes. In the cash flow analysis KBRA does not give any credit to any potential late penalties not retained by the counties.

DTA reviews payment information provided by the Counties and confirms delinquent payments. DTA will send delinquency reminder letters to property owners within 10 days of receiving a county's delinquency report for the first and second installments, and at fiscal year-end, June 30. DTA provides WRCOG, SANBAG and LA County with a list of the parcels that are still delinquent as of the October 1 foreclosure deadline. WRCOG, SANBAG and LA County will in turn notify its counsel of delinquent parcels and require foreclosure proceedings to commence.

Legal Considerations

FHFA Objections to Residential PACE Programs

The FHFA, the conservator of Fannie Mae and Freddie Mac, has declared that PACE programs which permit municipalities to impose tax liens that prime existing mortgages **present "significant safety and soundness concerns"** and represent a **"key alteration of traditional mortgage lending practice"**. The FHFA has stated

that Fannie's and Freddie's uniform mortgage documents prohibit PACE financing with lien priority over the mortgage.

The PACE Bond Issuers have obtained judicial validation of their PACE programs in the Superior Courts of Riverside, San Bernardino and LA Counties. In a judicial validation, an entity requests that a court of competent jurisdiction confirm the legality of validity of certain actions, in this instance the levying of contractual assessments by WRCOG, SANBAG and LA County. In the most recent default judgments dated July 1, 2011, August 26, 2013, August 22, 2016 and April 7, 2015 with respect to the WRCOG, SANBAG, California HERO and LA County PACE programs, respectively, the Riverside, San Bernardino and Los Angeles **Counties'** Superior Courts decreed that the PACE assessments were valid under California law, collectible in the same manner as general property taxes and with the same lien priority, and were not in violation of the California or U.S. Constitutions. These orders are final and the appeals periods have passed. KBRA has been advised that the FHFA, Fannie and Freddie received notice of the judicial validation proceedings and did not appear or provide any notice of objection. Furthermore, WRCOG, SANBAG and LA County obtained legal opinions stating that the PACE assessments do not violate the U.S. or California **Constitutions' prohibitions against impairing contracts or taking a pre-existing lender's property**, the assessments have been validly authorized under California law, that liens to secure payment of such assessments have been imposed on the related properties, and that these liens are equal to and independent of liens for real property taxes, other assessments and other taxes.

Although WRCOG, SANBAG and LA County have taken steps to protect PACE assessments from federal challenge, KBRA believes there remains a small but material risk that the FHFA may successfully challenge **California's** PACE program under the **U.S. Constitution's** Supremacy Clause, which requires that states and municipalities recognize the supremacy of federal law whenever it conflicts with state or local law. If successfully challenged by the FHFA, PACE Assessments may be impaired.

While KBRA views this risk as remote, KBRA applied a **stress scenario to test the risk of the pool's** exposure to properties that are encumbered by a Fannie or Freddie lien. The stress scenario assumed that in the event of a default on a PACE assessment relating to a property encumbered by a Fannie or Freddie lien (and therefore a default on the subordinate mortgage loan), the FHFA was effectively able to nullify the amount due in arrears through litigation. Pursuant to the PACE Bonds Eligibility Criteria, KBRA assumes that approximately 39% of the pool will consist of properties encumbered by a Fannie or Freddie mortgage. As a result, KBRA assumed a blended average of 61% recoveries with respect to each default (i.e. 100% recoveries, albeit delayed 48 months, with respect to the non-Fannie and non-Freddie obligors and 0% recoveries for the delinquent PACE Assessment amounts in arrears with respect to properties that were encumbered with a Fannie or Freddie mortgage). The results of such stress are shown in "*Cash Flow Stress Scenarios & Results*", Scenario 3.

Risk of County Bankruptcy

Under each PACE program, property owners subject to a PACE assessment make property tax payments to the county in which their property is located. The county then remits all collections associated with the PACE Assessments to the PACE Bond Trustee periodically throughout the year. Collections on PACE Assessments are not separated from general tax collections until remitted, with the effect that until the funds are remitted to the PACE Bond Trustee, PACE assessment collections are commingled with other revenues of the county and may be subject to an automatic stay in the event of a municipal bankruptcy of the county. KBRA considered the following mitigating factors in the analysis:

- The transaction features a liquidity reserve that can cover interest payments in case of a disruption in cash flows.

- When a county falls below investment grade, a percentage (equal to the portion of the pool represented by that county) of the funds available after payment of principal must be deposited into a County Reserve Account.
- In the event of a county bankruptcy, the PACE Bond Issuers (other than LA County) are obligated to seek a court order directing that such future payments be separately collected and paid over to the PACE Bond Trustee.

KBRA believes that in the event of the bankruptcy of a county related to the HERO 2017-2 pool, **collections on PACE Assessments would likely constitute “special revenues” under Chapter 9 of the U.S. Bankruptcy Code** that would not be subject to the automatic stay and should not be diverted to pay debts unrelated to the PACE program. Nevertheless, KBRA decided to analyze the creditworthiness of the counties that account for 10% or more of the portfolio just in case a bankruptcy judge were to conclude that cash being held by an insolvent county before being swept to the PACE Bond Trustee was subject to the automatic stay, and KBRA concluded that the current financial standing of Riverside, San Bernardino, Los Angeles and San Diego Counties would not act as a constraint on the rating of the notes. KBRA does not generally perform a separate credit assessment for counties that account for less than 10% of the portfolio.

Delinquency and Foreclosure

A PACE assessment is considered in default if it is in arrears by June 30 of any year. DTA will provide a list of parcels that are still delinquent as of October 1 of each year. By December 1 (assuming no advance of funds is provided to pay a delinquent assessment), WRCOG, SANBAG or LA County must commence foreclosure proceedings against each delinquent participating parcel, with foreclosure costs to be borne by the PACE Bond Issuer. The property owner generally has 140 days after notice to redeem the property. If a property owner fails to redeem and the property is sold, the only remedy available is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, a foreclosure sale is set aside, the judgment is revived and the PACE Bond Issuer is entitled to interest on the revived judgment as if the sale had not been made. Amounts collected are held in trust for the benefit of the PACE Bond owner until all delinquent amounts have been deposited into a Redemption Fund.

KBRA views California’s tax foreclosure laws, which grant WRCOG, SANBAG and LA County the flexibility to quickly foreclose on a delinquent obligor’s property, as a credit positive. In most judicial foreclosure actions, there may be a lengthy interval between default and realization of proceeds from a foreclosure. California’s tax foreclosure laws, in contrast, allow for much quicker recoveries.

California PACE Loss Reserve Program

In March 2014, California launched the PACE Loss Reserve Program (**the “Program”**) to address concerns surrounding residential PACE following commentary issued by the FHFA regarding the potential risks in PACE financing to first mortgage holders. The Program was initially funded with \$10 million from California to mitigate the risk to mortgage lenders by offsetting losses that may be incurred due to the existence of a first-priority PACE lien on a property. The FHFA has indicated **to the Program’s administrators** that the Program does not address all of its concerns and that it retains its position regarding the first-priority lien structure inherent to PACE.

To be eligible for coverage under the Program, a PACE administrator must submit an application detailing its activities as it relates to PACE financings and administrative documents as prescribed by the Program. Enrolled programs must report to the state semiannually the total value of financings originated during

each semiannual period. The PACE Assessments included in the PACE Bond Portfolio are covered by the Program.

Although the Program’s existence was not a material quantitative factor in the rating on the notes, KBRA believes the development of the Program is a qualitative credit positive for the transaction.

LA County Residential PACE Reserve Fund

On June 1, 2015, the Los Angeles County Residential Property Assessed Clean Energy Program was launched for homeowners who want to install energy efficiency, renewable energy and water-saving improvement to their properties. Eighty-six of the 88 cities in Los Angeles County have opted into the program. To protect homeowners and investors, the county created the LA County PACE Reserve Fund. The fund is intended to be drawn upon prior to the California PACE Loss Reserve Program. When a homeowner misses a PACE payment, the fund pays the delinquent payment on behalf of the homeowner, which postpones foreclosure and allows the property owner additional time to resolve the default. It also ensures that PACE bondholders receive timely payments. For every dollar of microbonds issued by LA County, 0.10% of dollars will be deposited into the fund.

Cash Flow Base Case Assumptions

KBRA performed a cash flow analysis to test the transaction structure. The analysis considers a number of key inputs:

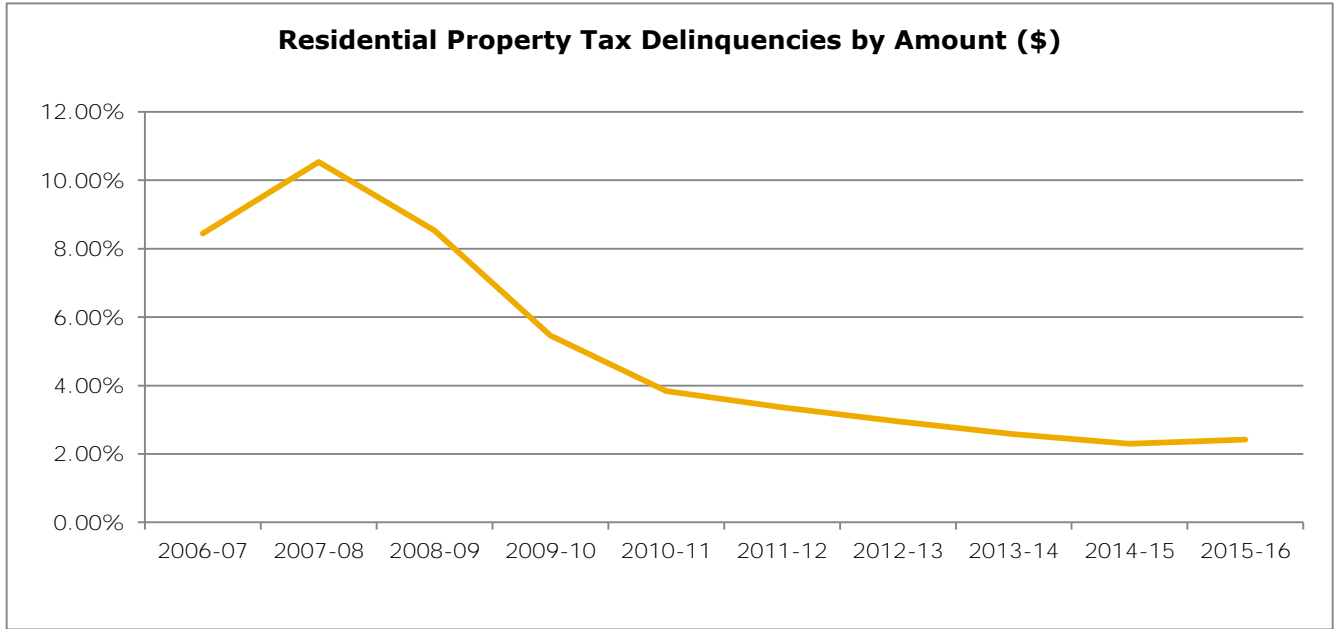
- Default rates
- Time to recovery
- Recovery rate

KBRA established a base case for each input and then applied stresses to test the transaction’s ability to pay timely interest and full principal by the legal final maturity date. KBRA’s analysis did not take into account cash flow received from the 10% penalty for payments made after the tax assessment due dates or the interest charge of 1.5% per month for property taxes in default. KBRA’s base case assumptions are summarized in the following table and the rationale for each input is summarized below.

Base Case Cash Flow Assumptions		
Default Rate	Time to Recovery	Recovery Rate
5.00%	24 months	100%

Default Rate

As a new asset class, there is no direct default or foreclosure experience to rely upon in developing an expected loss proxy for PACE assessments. As a result, KBRA relied on property level residential real estate tax delinquency data in the participating jurisdictions of Riverside, San Bernardino, Los Angeles and San Diego Counties and aggregate property tax delinquency data for the 35 other counties. The graph below shows the blended annual tax delinquency rate for the Counties of Riverside, San Bernardino, Los Angeles and San Diego.



Property Tax Delinquencies - Participating Jurisdictions, Residential Only											
Default Type	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	WA Avg
Amount (\$)	8.44%	10.54%	8.53%	5.46%	3.84%	3.37%	2.95%	2.58%	2.30%	2.42%	5.04%

The delinquency rates shown above do not represent new residential property tax delinquencies. Instead, **each year's** delinquency rate incorporates delinquencies from previous years. Property owners must be current on all property taxes at the time of PACE assessment origination. Since new real estate tax delinquencies in any one year must be equal to or below total tax delinquencies in that same year, KBRA views using this data to establish its base case default rate as conservative.

Time to Recovery

KBRA analyzed the number of years after a default for a residential property to become current on its property taxes. The data shows that on average over an eight year time period, 61.8% of residential tax defaults were cured by the following year and 81.2% within two years. In most cases these cures were not the result of foreclosure proceedings.

KBRA believes that the majority of properties that default on their real estate taxes would not result in a foreclosure. To be conservative, KBRA assumed all defaulted taxes go through the foreclosure process and are sold in a tax sale in the base case, meaning all defaulted PACE payments take 24 months to recover.

Recovery Rate

The PACE assessments are equal to liens for ad valorem taxes on real property, and senior to all non-tax liens, including mortgages. The underwriting criteria limit the maximum assessment LTV to 15% and PACE assessments do not accelerate due to a default, only the amounts in arrears, including fees and penalties, are due at foreclosure. The underwriting criteria also prohibits total annual property taxes and assessments, including the PACE assessment, to **exceed 5% of the property's market value** at the time of approval.

The table below shows the amount of annual PACE assessment and real estate tax payments due as a percentage of the property value at the time of origination, absent late penalties and fees, and the

property value decline required to experience a loss, given varying amounts of time from default to recovery.

Amount at Risk as % of Property Value		
Foreclosure Time	Annual PACE & Real Estate Tax Payments Due	Property Value Decline Required for Loss
12 Months	5.00%	95.00%
24 Months	10.00%	90.00%
36 Months	15.00%	85.00%
48 Months	20.00%	80.00%
60 Months	25.00%	75.00%

Property values would have to decline significantly to experience any losses at the time of foreclosure. As such, KBRA assumes a 100% recovery of all defaulted PACE assessment payments at the time of foreclosure in the base case.

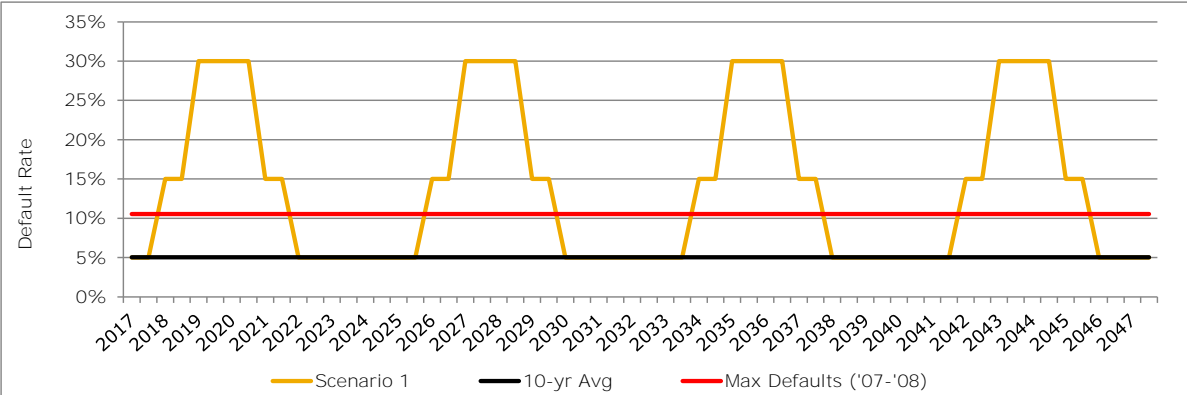
Cash Flow Stress Scenarios & Results

Stress Scenarios

KBRA ran multiple stress scenarios which varied default rates and timing, recovery rates, and time to recovery. The scenarios presented below represent the three most stressful scenarios. To remain conservative regarding the Subsequent PACE Bonds Portfolio, KBRA assumed the maximum percentage share of shorter term, lower coupon PACE Bonds in the aggregate PACE Bond Portfolio permitted by the Eligibility Criteria.

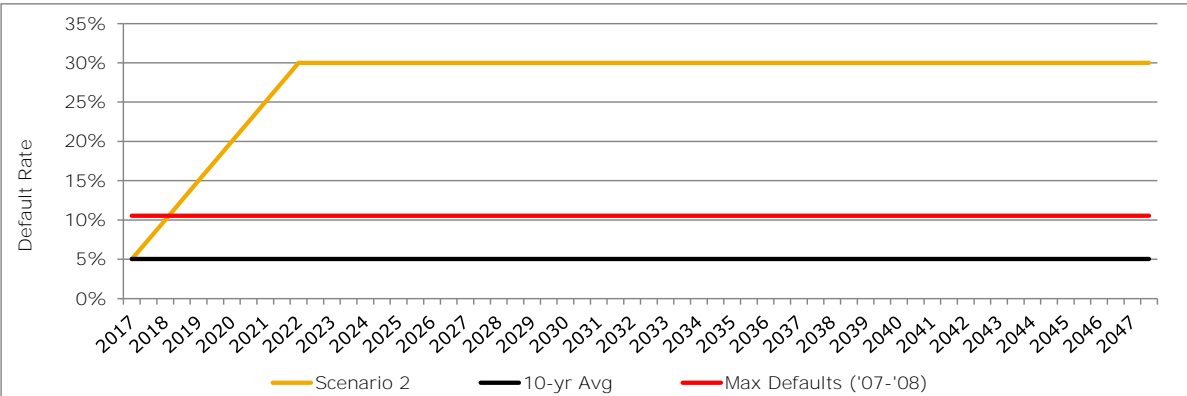
Scenario 1

Scenario 1 assumed four 4-year periods of high defaults. In each period, defaults peaked at 30.00%, which is a 6.00x multiple of base case defaults. The scenario also stressed the number of months from the time of default to the sale of the property from 24 months to 48 months. The recovery rate applied during this scenario was 80.00% compared to 100% in the base case. The default rate applied in this scenario is significantly above the default rates experienced during the 2007-2008 fiscal year, as shown in the chart below.



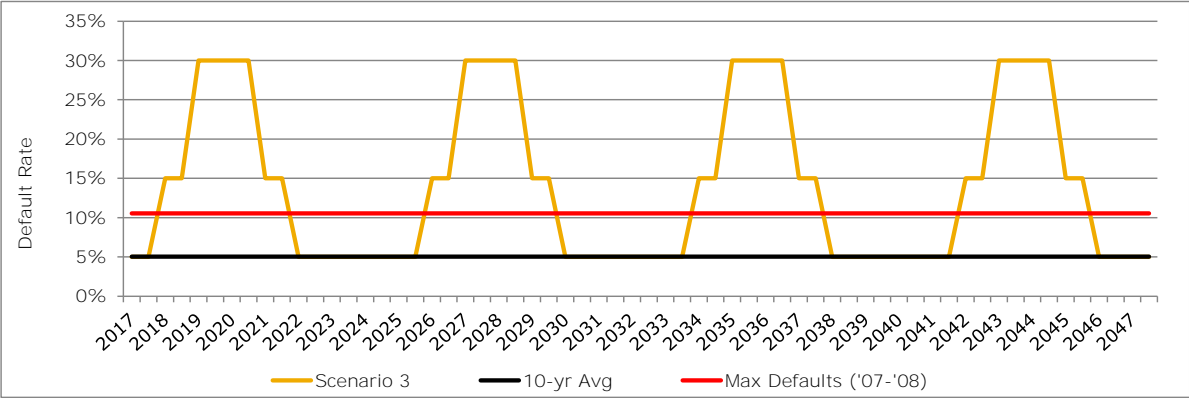
Scenario 2

Scenario 2 assumed default rates rapidly increased at a constant rate, peaking at 30.00% in year six, where it remained throughout the life of the transaction. Similar to Scenario 1, KBRA assumed a 48 month time to recovery and an 80% recovery rate.



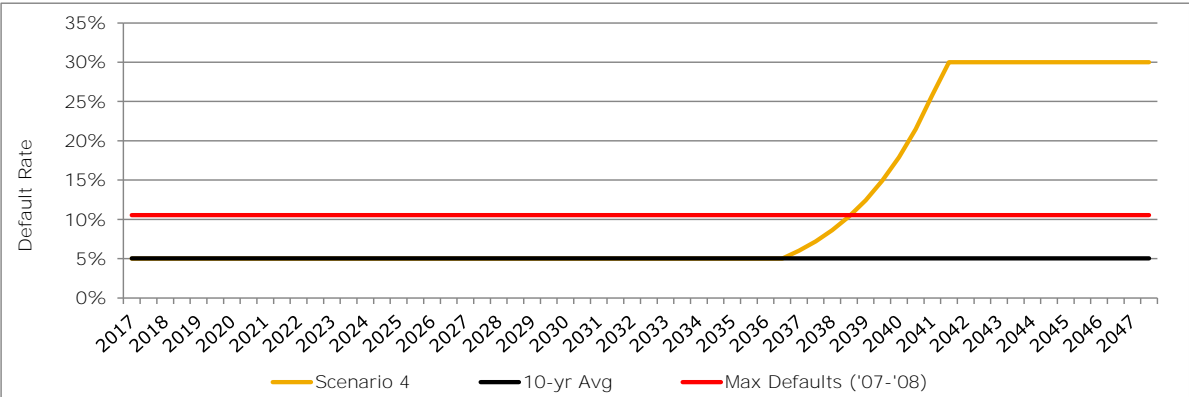
Scenario 3

Scenario 3 assumed that in the event of a default on a PACE Assessment relating to a property encumbered by a Fannie or Freddie lien (and therefore a default on the subordinate mortgage loan), the FHFA was effectively able to nullify the amount due in arrears through litigation. Pursuant to the PACE Bonds Eligibility Criteria, KBRA assumes that approximately 39% of the pool will consist of properties encumbered by a Fannie or Freddie mortgage. As a result, KBRA assumed a blended average of 61% recoveries with respect to each default (i.e. 100% recoveries, albeit delayed 48 months, with respect to the non-Fannie and non-Freddie obligors and 0% recoveries for the delinquent PACE Assessment amounts in arrears with respect to properties that were encumbered with a Fannie or Freddie mortgage).



Scenario 4

Scenario 4 assumed default rates rapidly increased from year 20 to year 25 of the transaction, peaking at 30% in year 20 and remaining at that level for the remainder of the transaction. Similar to Scenario 1, KBRA assumed a 48 month time to recovery and an 80% recovery rate.



Stress Scenario Results

The table below shows the results of KBRA's stress scenarios and the breakeven analysis related to each scenario. In each scenario, timely interest and all principal was paid on the notes by the maturity date.

Stress Scenario Results					
Scenario	Results	Peak Default Rate	Recovery Rate	Peak Severity	Total Severity
Scenario 1	PASS	30.00%	80.00%	6.00%	2.77%
Scenario 2	PASS	30.00%	80.00%	6.00%	5.16%
Scenario 3	PASS	30.00%	61.00%	12.00%	5.40%
Scenario 4	PASS	30.00%	80.00%	6.00%	1.16%

Breakeven Scenario Results					
Scenario	Breakeven	Peak Default Rate	Recovery Rate	Peak Severity	Total Severity
Scenario 1	Recovery Rate	30.00%	22.77%	23.17%	10.69%
Scenario 2	Recovery Rate	30.00%	44.60%	16.62%	14.28%
Scenario 3	Default Rate	53.04%	61.00%	20.69%	9.54%
Scenario 4	Recovery Rate	30.00%	25.34%	22.40%	4.32%

Rating Sensitivity and Surveillance

Events that may result in a rating change to the HERO 2017-2 include but are not limited to the following:

- Deterioration in the transaction's asset performance that exceeds historical experience
- Significant regulatory or legislative changes relating to PACE assessments
- Modifications of the transaction's structure

After the initial rating is assigned, KBRA will continue to monitor the transaction until the notes are fully repaid. Ongoing surveillance of the notes is critical to maintaining the value of the rating. KBRA's surveillance process involves a periodic review of the following:

- Servicing reports to determine if all payment obligations are met and the transaction is in compliance with all triggers
- Trends in collateral performance relative to historical experience

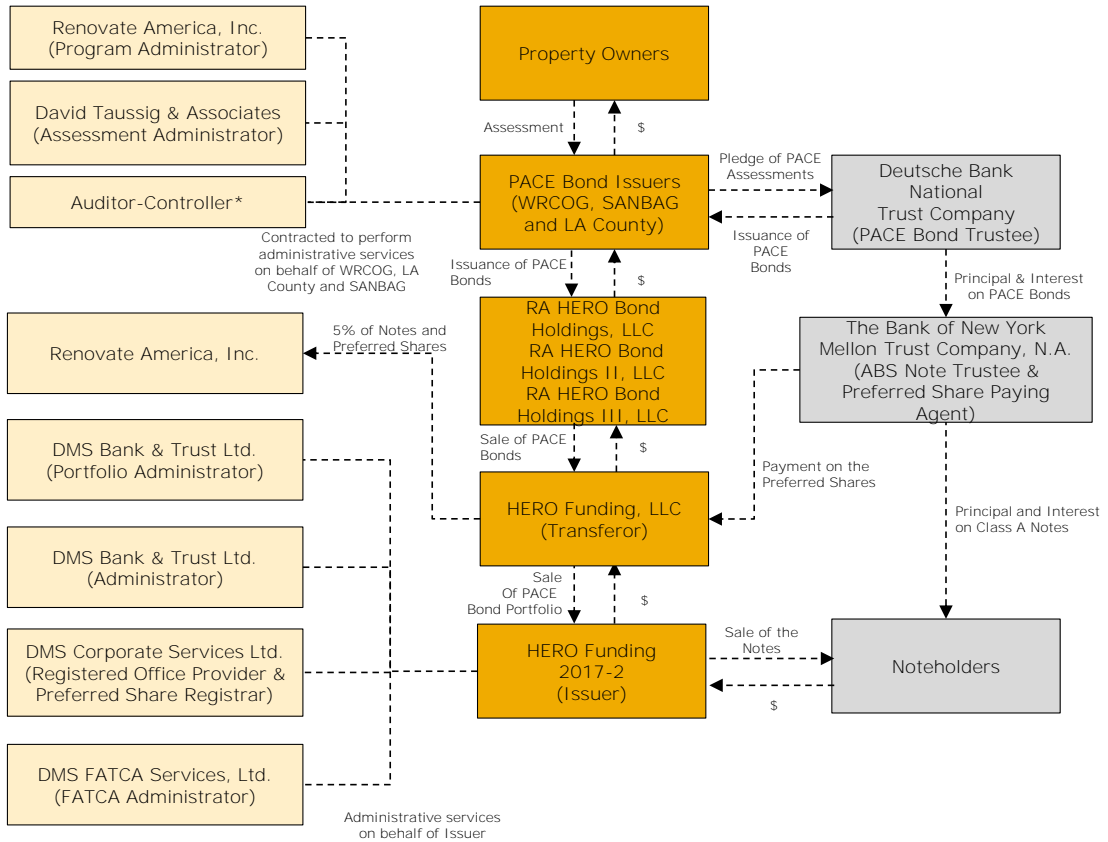
The information gathered during regular surveillance will indicate whether or not a more thorough review is warranted. Additional information may be requested if KBRA believes the credit quality of the transaction has changed from the time of the initial rating assignment or the most recent review. If warranted, KBRA will conduct an in-depth surveillance review that may result in a change to the transaction's rating and publish commentary explaining the analysis.

Transaction Structure

Legal Structure

Transaction Structure

The HERO Funding Class A Notes Series 2017-2 are newly issued asset-backed notes collateralized by a pool of Property Assessed Clean Energy ("PACE") bonds. The following diagram illustrates the basic securitization structure:

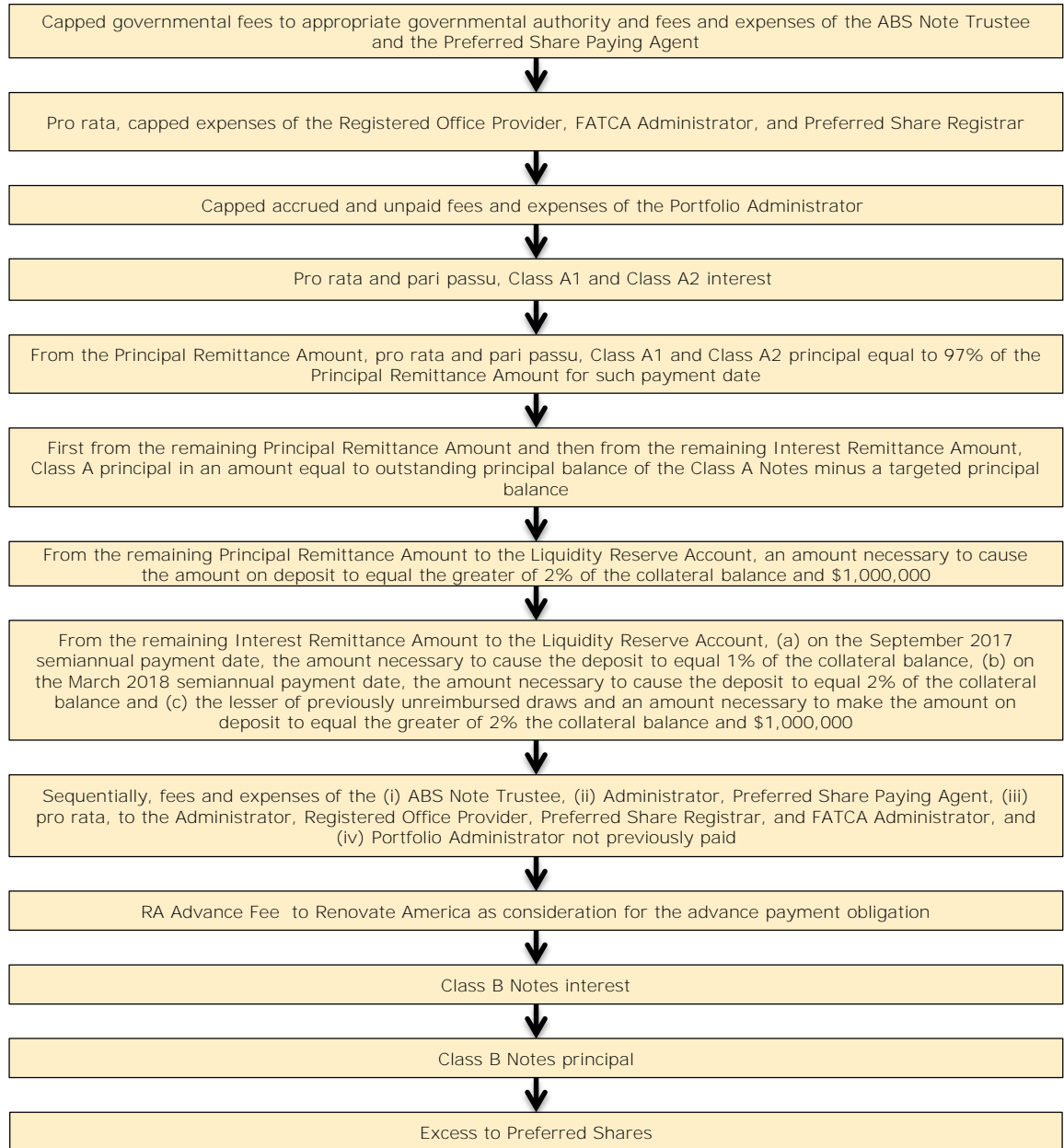


*County Auditor-Controller refers to the auditor-controller of the Counties of Alameda, Amador, Butte, Contra Costa, El Dorado, Fresno, Humboldt, Imperial, Kern, Kings, Los Angeles, Madera, Marin, Mendocino, Merced, Monterey, Napa, Nevada, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Clara, Santa Cruz, Shasta, Solano, Sonoma, Stanislaus, Sutter, Tehama, Tulare, Ventura, Yolo, and Yuba in the State of California.

Certain PACE assessments payable under assessment contracts entered into by certain property owners and the Western Riverside Council of Governments ("WRCOG"), the San Bernardino Associated Governments ("SANBAG") or the County of Los Angeles, California ("LA County") have been pledged by WRCOG, SANBAG or LA County, as the case may be, to a PACE Bond Trustee in consideration of the issuance of PACE Bonds. Certain of these PACE Bonds have been purchased by affiliates of the Transferor, and on the closing date these affiliates will sell all of their PACE Bonds to the Transferor, which will then sell them to the Depositor, which will then contribute them to the Issuer. The Issuer will then pledge the PACE Bonds to the Class A ABS Note Trustee.

Priority of Payments Prior to an Event of Default

On each payment date prior to an indenture event of default, an optional or mandatory redemption, or the scheduled maturity, and while no County Reserve Period is in effect, available collections will be applied on behalf of the Issuer as follows:



“Principal Remittance Amount” means all collections constituting payments of principal on the PACE Bonds (including prepayments and recoveries).

“Interest Remittance Amount” means all collections on the PACE Bonds not constituting Principal Remittance Amounts.

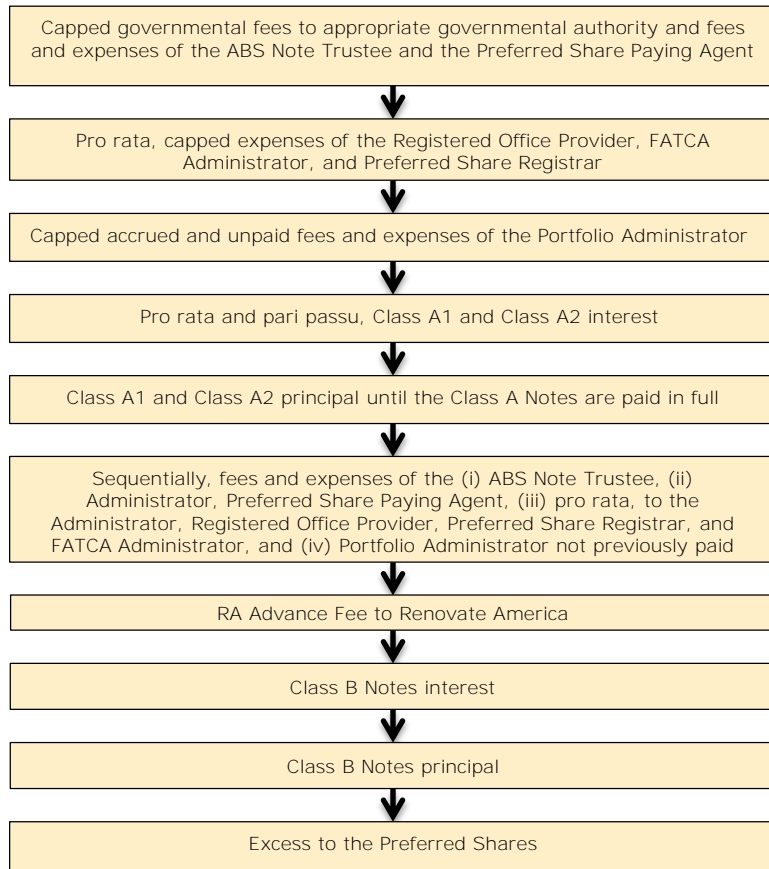
Amounts paid under steps 1, 2, 3 and 4 above will be paid from the following sources

in the following order:

- first, from the Interest Remittance Amount
- second, from the Liquidity Account
- third, from the Principal Remittance Amount

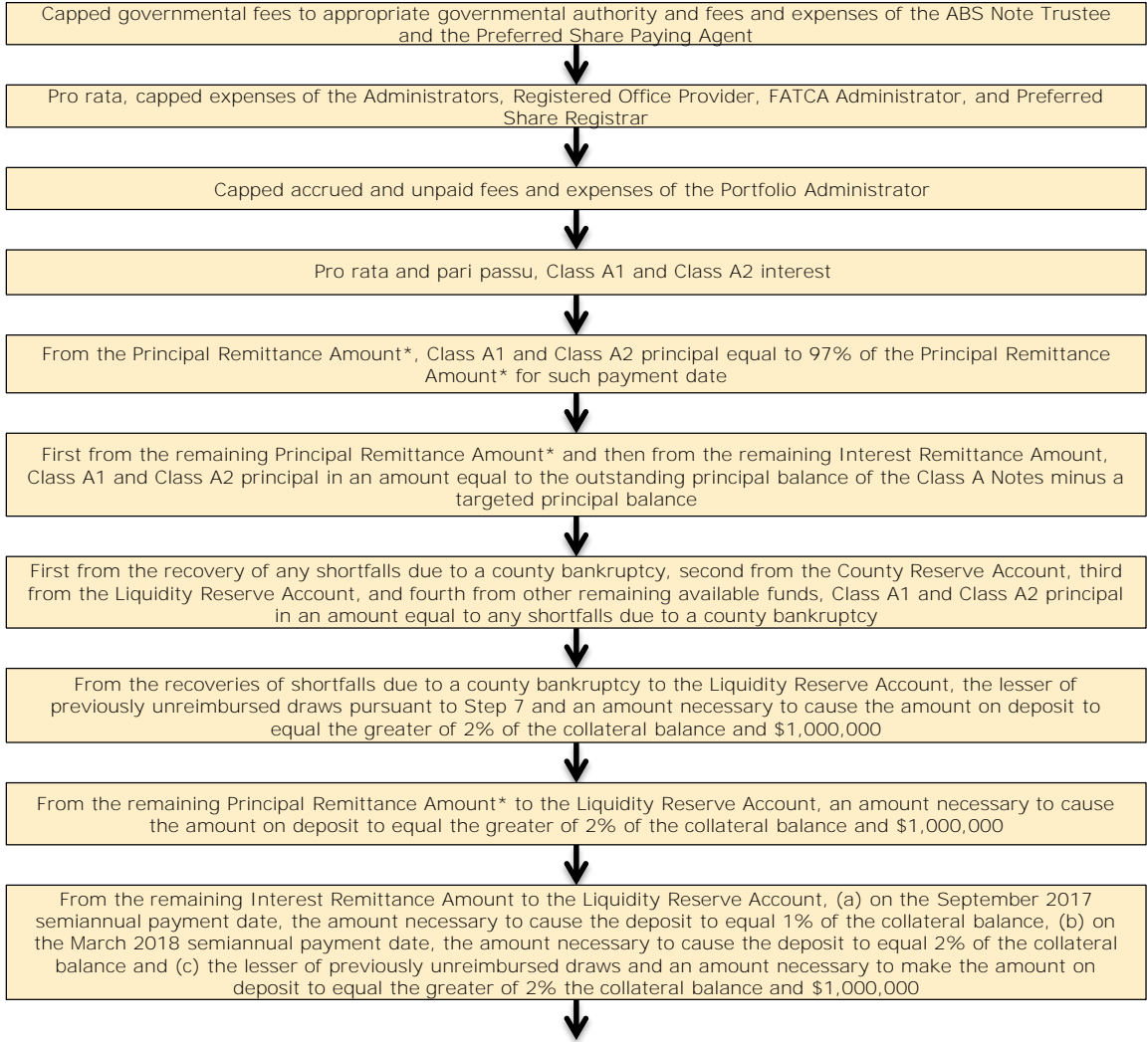
Priority of Payments following an Event of Default

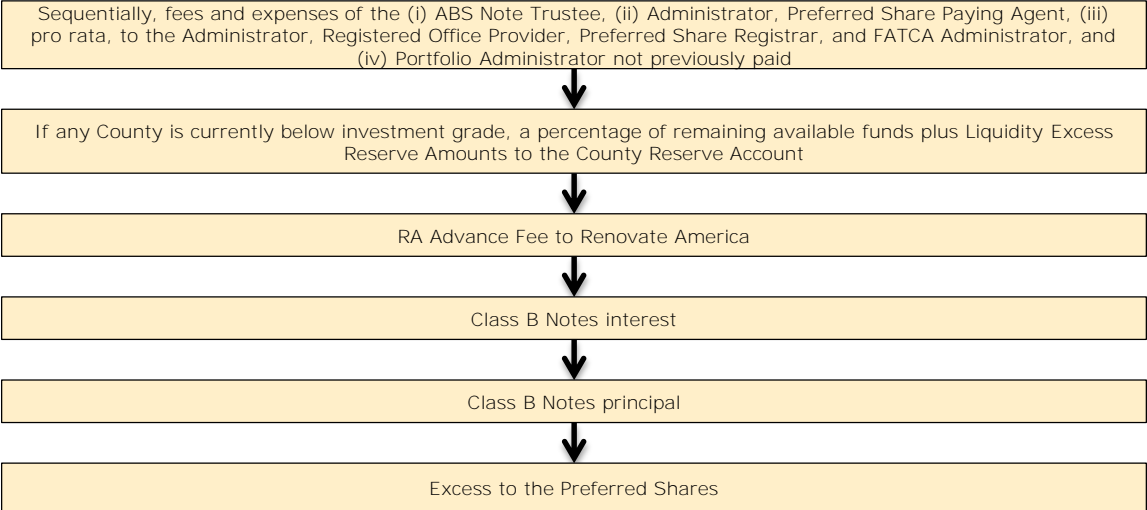
On each payment date following an indenture event of default, an optional or mandatory redemption, and on the maturity date, available funds and all amounts in the Liquidity Reserve Account and the County Reserve Account will be distributed as follows:



Priority of Payments During a County Event

During any period when a county is either rated below investment grade or becomes a debtor in a proceeding under Chapter 9 of the U.S. Bankruptcy Code, the priority of payment changes. This following waterfall will remain in effect until shortfalls due to a bankruptcy of the county have been repaid in full and either the county is restored to investment grade or certain other events occur.





Amounts paid under steps 1, 2, 3 and 4 above will be paid from the following sources in the following order:

- first, from the Interest Remittance Amount
- second, from the Liquidity Account
- third, from the County Reserve Account
- fourth, from the Principal Remittance Amount

* In this waterfall, Principal Remittance Amount will exclude recoveries of shortfalls due to the bankruptcy of the related County

Events of Default

The occurrence of any of the following events will be an “event of default” under the indenture:

1. failure to pay timely interest;
2. failure to pay the principal balance of the notes at maturity;
3. a statute, rule or regulation becomes effective following the closing date, or there is a final, non-appealable judgment of a court of competent jurisdiction following the closing date, which has a material adverse effect on the validity or enforceability of the PACE Bonds, a PACE Bond Issuer’s ability to perform its payment obligations under the respective PACE Bond Indenture, a PACE Bond Issuer’s rights to receive payments in respect of the PACE Assessments or its liens on the participating parcels, or the **Issuer’s ability to make payments** (excluding the effect of a bankruptcy of a county) on the notes;
4. certain defaults of covenants by the Issuer under the indenture continue unremedied for 60 days after notice;
5. certain bankruptcy events occur with respect to the Issuer;
6. failure of the transaction documents to create, attach and perfect a valid first-priority security interest in any material Collateral that, if curable, is not cured

within 30 days after notice;

7. certain breaches of Issuer representations or warranties under the indenture;
8. the Issuer becomes subject to U.S. federal or state income tax on a net income basis;
9. a final non-appealable, uninsured judgment of \$500,000 or more against the Issuer that is not cured within 30 days;
10. failure to pay any shortfalls due to a **county's** bankruptcy by the second payment date following the shortfall;
11. certain breaches of Transferor, Depositor, Renovate America, or Issuer representations, warranties or covenants under the transaction documents that **have a material adverse effect on the Issuer's ability to make payments on the notes** which continue unremedied for 60 days after notice;
12. an ERISA or tax lien securing the payment of money in excess of \$5,000,000 is rendered against the Issuer;
13. the Portfolio Administrator is terminated or resigns, and a replacement is not appointed within 90 days; or
14. **the Issuer is required to register as an "Investment Company" under the Investment Company Act.**

Representations
& Warranties

For more detailed information regarding the representations, warranties and enforcement mechanisms available under the transaction documents, please see KBRA's [**Representations & Warranties Disclosure**](#), which was published contemporaneously with the pre-sale report on July 25, 2017.

Appendix: PACE Bonds Eligibility Criteria

TERM & COUPON:

Max % of Pool Balance with 5 year TERM and 2.99% Coupon = 0.22%
Max % of Pool Balance with 10 year TERM and 2.99% Coupon = 4.25%
Max % of Pool Balance with 15 year TERM and 3.99% Coupon = 5.25%
Max % of Pool Balance with 5 year TERM and 4.49% Coupon = 0.13%
Max % of Pool Balance with 10 year TERM and 4.99% Coupon = 0.55%
Max % of Pool Balance with 20 year TERM and 4.99% Coupon = 7.00%
Max % of Pool Balance with 5 year TERM and 5.49% Coupon = 3.50%
Max % of Pool Balance with 15 year TERM and 5.49% Coupon = 0.90%
Max % of Pool Balance with 25 year TERM and 5.49% Coupon = 6.00%
Max % of Pool Balance with 10 year TERM and 5.99% Coupon = 6.00%
Max % of Pool Balance with 20 year TERM and 5.99% Coupon = 0.47%
Max % of Pool Balance with 15 year TERM and 6.49% Coupon = 10.00%
Max % of Pool Balance with 25 year TERM and 6.49% Coupon = 0.47%
Min % of Pool Balance with 5 year TERM and 6.75% Coupon = 2.75%
Min % of Pool Balance with 20 year TERM and 6.99% Coupon = 1.00%
Min % of Pool Balance with 25 year TERM and 7.25% Coupon = 0.50%
Min % of Pool Balance with 10 year TERM and 7.69% Coupon = 8.25%
Min % of Pool Balance with 15 year TERM and 8.15% Coupon = 13.00%
Min % of Pool Balance with 20 year TERM and 8.35% Coupon = 13.75%
Min % of Pool Balance with 25 year TERM and 8.35% Coupon = 18.75%

FICO:

MAX % of Pool Balance with FICO < 490 = 2.00%
MAX % of Pool Balance with FICO < 500 = 3.75%
MAX % of Pool Balance with FICO < 510 = 4.25%
MAX % of Pool Balance with FICO < 520 = 5.00%
MAX % of Pool Balance with FICO < 530 = 6.00%
MAX % of Pool Balance with FICO < 540 = 7.00%
MAX % of Pool Balance with FICO < 550 = 8.50%
MAX % of Pool Balance with FICO < 560 = 10.00%
MAX % of Pool Balance with FICO < 570 = 11.50%
MAX % of Pool Balance with FICO < 580 = 14.00%
MAX % of Pool Balance with FICO < 590 = 17.00%
MAX % of Pool Balance with FICO < 600 = 20.25%
MAX % of Pool Balance with FICO < 610 = 24.00%
MAX % of Pool Balance with FICO < 620 = 28.50%
MAX % of Pool Balance with FICO < 630 = 33.75%
MAX % of Pool Balance with FICO < 640 = 38.75%
MAX % of Pool Balance with FICO < 650 = 44.50%
MAX % of Pool Balance with FICO < 660 = 50.00%
MAX % of Pool Balance with FICO < 670 = 55.00%
MAX % of Pool Balance with FICO < 680 = 59.50%
MAX % of Pool Balance with FICO < 690 = 65.00%
MAX % of Pool Balance with FICO < 700 = 69.00%

ASSESSMENT LTV:

MAX % of Pool Balance with Assessment LTV > 5% and <= 15% = 61.50%
MAX % of Pool Balance with Assessment LTV > 7% and <= 15% = 41.00%
MAX % of Pool Balance with Assessment LTV > 9% and <= 15% = 26.50%

MAX % of Pool Balance with Assessment LTV > 11% and <= 15% = 17.50%

MAX % of Pool Balance with Assessment LTV > 13% and <= 15% = 11.00%

MORTGAGE LTV:

MAX % of Pool Balance with Mortgage LTV > 80% = 19.50%

MAX % of Pool Balance with Mortgage LTV > 82% = 16.50%

MAX % of Pool Balance with Mortgage LTV > 84% = 13.00%

MAX % of Pool Balance with Mortgage LTV > 86% = 9.00%

MAX % of Pool Balance with Mortgage LTV > 88% = 5.50%

COMBINED LTV:

MAX % > 90% = 14.50%

MAX % > 92% = 11.00%

MAX % > 94% = 7.75%

MAX % > 96% = 5.50%

MAX % > 98% = 4.00%

MORTGAGE SEASONING:

MIN % of Pool Balance with Mortgage Origination Dates prior to 2012 = 25.00%

MIN % of Pool Balance with Mortgage Origination Dates prior to 2013 = 30.50%

MIN % of Pool Balance with Mortgage Origination Dates prior to 2014 = 36.50%

PROPERTY TYPE:

MIN % of Pool Balance that are Single Family Homes = 92.00%

COUNTIES:

MIN % of Pool Balance in Counties rated AA- and above = 81.00%

MIN % of Pool Balance in Counties rated A- and above = 97.00%

MAX % of Pool Balance in Largest County = 28.50%

MAX % of Pool Balance in 2 Largest Counties = 44.50%

MAX % of Pool Balance in 3 Largest Counties = 55.50%

MAX % of Pool Balance in 4 Largest Counties = 65.00%

MIN % of Pool Balance in Los Angeles, Riverside, San Diego, San Bernardino, Orange, Fresno = 69.00%

MAX % of Pool Balance any other county = 6.00%

GSE:

Max % of Pool Balance with Freddie & Fannie Mortgages = 39.00%

Note: Pool Balance refers to the PACE Bond Portfolio cut-off date balance.

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Exhibit 9

GoodGreen 2018-1

\$340,470,000 Property Assessed Clean Energy (PACE) Bond Backed Notes



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Executive Summary

This new issue report is based on information regarding the underlying Property Assessed Clean Energy (“PACE”) assessments and the terms of the securitization as of April 19, 2018. This report does not constitute a recommendation to buy, hold, or sell securities. **Kroll Bond Rating Agency’s (KBRA)** rating represents timely payment of interest and full payment of principal by the transaction’s legal final maturity date.

Rated Notes							
Class	Amount	Interest Rate	Payment Frequency	Expected Maturity Date	Legal Maturity Date	Advance Rate	KBRA Rating
Class A Notes	\$340,470,000	3.93%	Semi-Annual	October 15, 2048	October 15, 2053	97.00%	AA+ (sf)
Total	\$340,470,000						

KBRA has analyzed this transaction using the [Global General Rating Methodology for Asset-Backed Securities](#) published on November 28, 2017. PACE assessments fall within Category 1: Financial Assets. The key determinants considered in the rating outcome are: a structural and legal analysis of the transaction; the treatment of PACE assessments as special assessments having lien priority on par with senior tax liens; and the creditworthiness of the Counties acting as servicers.

Transaction Overview

The Class A Notes (the “Notes”) are secured by a portfolio of PACE assets in California (“California PACE Assets”), issued by the Golden State Finance Authority (“GSFA”), the Coachella Valley Association of Governments (“CVAG”), and the County of Yolo (“County of Yolo” and together with GSFA and CVAG, the “California Local Agencies”) and PACE assets in Florida (“Florida PACE Assets” and together with California PACE Assets, the “PACE Assets”), which are limited obligation bonds issued by the Green Corridor Property Assessment Clean Energy District (“Florida PACE District”). The portfolio of PACE Assets consists of limited obligation improvement assessments. The portfolio of initial PACE Assets (“Initial PACE Assets”), to be acquired by the Issuer on the Closing Date, comprises 9,633 PACE Assessments with an aggregate principal balance of approximately \$236.9 million levied against 8,615 residential and commercial properties in 42 California counties and 13 Florida counties. The average PACE Assessment is approximately \$24,590 with an average annual payment of approximately \$2,672. The PACE Assets purchased by the Depositor during the Prefunding Period (“Subsequent PACE Assets”) will, together with the Initial PACE Assets, constitute the PACE Asset Portfolio. The anticipated principal balance of the Subsequent PACE Assets is approximately \$114.1 million. The transaction benefits from credit enhancement in the form of excess spread, overcollateralization, a liquidity reserve, and an interest reserve.

Transaction Parties: Class A Notes	
Issuer	GoodGreen 2018-1
Seller	Trillion Capital III LLC
Depositor	GoodGreen Funding 2018-1 LLC
ABS Note Trustee	U.S. Bank National Association
Cayman Administrator	MaplesFS Limited
Collateral Custodian California Escrow Agent	ZB, National Association dba Zions Bank

Transaction Parties: PACE Asset Portfolio	
California Program Administrator	Ygrene Energy Fund California LLC
Florida Program Administrator	Ygrene Energy Fund Florida, LLC (together with the California Program Administrator, the "Program Administrators")
Assessment Administrator and Servicer	Willdan Financial Services
U.S. Administrator / Representations and Warranties Obligor	Ygrene Energy Fund Inc. ("Ygrene")
Counties	<p>County of Alachua, Florida County of Alameda, California County of Amador, California County of Brevard, Florida County of Broward, Florida County of Butte, California County of Calaveras, California County of Charlotte, Florida County of Clay, Florida County of Collier, Florida County of Colusa, California County of Contra Costa, California County of Del Norte, California County of El Dorado, California County of Fresno, California County of Glenn, California County of Hillsborough, Florida County of Humboldt, California County of Imperial, California County of Kern, California County of Kings, California County of Los Angeles, California County of Madera, California County of Marin, California County of Marion, Florida County of Mariposa, California County of Mendocino, California County of Merced, California County of Miami-Dade, Florida County of Monterey, California County of Napa, California County of Orange, California County of Orange, Florida County of Palm Beach, Florida County of Pasco, Florida County of Pinellas, Florida County of Riverside, California County of Sacramento, California County of San Bernardino, California County of San Diego, California County of San Joaquin, California County of San Luis Obispo, California County of San Mateo, California County of Santa Clara, California County of Santa Cruz, California County of Shasta, California County of Siskiyou, California County of Solano, California County of Sonoma, California County of Stanislaus, California County of Tehama, California</p>

County of Tulare, California
 County of Ventura, California
 County of Yolo, California
 County of Yuba, California

Key Credit Considerations

Characteristics of PACE Assessments

PACE assessments **are payable together with the property owner’s *ad valorem*** real estate taxes. The California PACE assessments are payable in equal semi-annual installments and Florida PACE assessments are payable in a single annual installment. Under California and Florida law, PACE assessments have equal lien priority with real estate taxes and other special assessments and are senior to all non-tax liens, including mortgages.

Generally, the amount of a PACE assessment is small compared to the value of the related property. The maximum initial lien-to-value (“LTV”) for PACE assessments included in GoodGreen 2018-1 is 15.00%. PACE assessments constitute liens against the entire property, not just the specific improvement installed and funded under the PACE program. The assessment remains with the property, irrespective of any intervening sales, until it is fully paid.

There is no acceleration of the assessment in case of foreclosure and default. Unlike in the case of residential mortgages where the entire loan balance would be due at foreclosure, only current amounts and the amounts in arrears on a PACE assessment, including fees and penalties, are due. The purchaser of the property out of foreclosure will continue making the payments on the assessment once the property is taken over. As a result, the amount at risk when a property owner fails to pay is not the full amount of the assessment but only the assessment installment amount that is in arrears.

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Transaction Structure

KBRA believes the transaction benefits from sufficient credit enhancement and a structure that accelerates principal payments to the rated notes upon weakening asset performance.

GoodGreen 2018-1 utilizes an amortization schedule that is set by the Target LTV for the Notes on each payment date, which determines the amount of the respective required principal payments on the Notes. The Target LTV will be 97% at closing and will decrease by 10 bps at the end of each year starting in October 2019 for the first ten years. The waterfall provides that on each Payment Date, available collections, except for funds deposited in the Interest Reserve Account or Liquidity Reserve Account, are used to amortize the Notes in an amount that would cause the ending Note balance to equal Target LTV multiplied by the Pool Balance. In addition, if an Aggregate Defaulted Assessment Event has occurred, principal payments will be made to the Notes until paid in full. Pool Balance is defined as the sum of (i) the aggregate principal balance of the PACE Assets and (ii) the amount on deposit in the Prefunding Account divided by 97% as of any Payment Date.

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Credit enhancement consists of excess spread, overcollateralization, an interest reserve account, and a liquidity reserve account.

- Excess spread: GoodGreen 2018-1 contains significant excess spread, which results from the difference between the weighted average interest rate of the PACE Asset Portfolio and the interest rate on the notes. The PACE Asset **Portfolio's** expected weighted average coupon is 7.77%. The weighted average ABS note rate is equal to 3.93%, resulting in 3.84% of initial excess spread available to cover losses. Any excess interest cash flows from the PACE Asset Portfolio will be available to pay principal should PACE Assessment defaults rise and the current note balance exceeds the targeted note balance.
- Overcollateralization: Overcollateralization ("OC") at closing will be 3.00% of the initial Pool Balance. The OC will increase by 10 bps annually for the first ten years of the transaction until it reaches 4.00%. After year 10, the OC will be maintained at 4.00%. The Pool Balance as of closing is expected to be approximately \$351.0 million.
- Interest reserve: The interest reserve account will be funded at closing in an amount equal to \$6,100,000. The proceeds from this account will be used pay transaction expenses and interest on the first payment date in October 2018.
- Liquidity reserve: The liquidity reserve amount will be satisfied by a Liquidity Facility.
 - Beginning on the Closing Date, the Liquidity Facility will be established and maintained in an amount equal to the greater of \$1 million and 2.00% of the outstanding principal balance of the Notes as of such payment date.
- Default Trigger: An **"Aggregate Defaulted Assessment Event"** will occur if the aggregate PACE Asset Delinquent Amount of the Defaulted Assessments is equal to or greater than 6% of the initial Pool Balance. Once an Aggregate Defaulted Assessment Event has occurred, it cannot be cured and payments on the Notes are accelerated until paid in full.
 - A **"Defaulted Assessment"** means (x) a payment in full of the property tax obligation with respect to any Assessment has not been made (and which continues to remain unpaid in full) for two or more consecutive years or (y) such PACE Asset is deemed uncollectible.

Heightened Regulatory Scrutiny

Lawmakers in the U.S. Senate have recently introduced legislation that would require Truth in Lending Act disclosure for PACE assessments. Additionally, in October 2017 Governor Jerry Brown of California signed bills SB 242 and AB 1284, establishing new requirements regarding consumer protection, reporting standards, licensing and originations, among other things. The changes enacted by the bills became effective as of April 1, 2018. Moreover, beginning January 1, 2019, the California Department of Business Oversight will have the authority to regulate PACE administrators.

Similar legislation is expected to be proposed in the House of Representatives, which may include further requirements such as placing PACE assessments under the regulatory purview of the **Consumer Finance Protection Board ("CFPB")**. This heightened

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legislative scrutiny follows growing concerns with the PACE industry generally. Several articles have appeared recently calling into question the disclosure practices of PACE originators, some of whom are currently party to class-action lawsuits in both California and Florida alleging unfair business practices that mislead consumers into entering high interest loans with large prepayment penalties.

On April 12, 2018, legal complaints seeking class-action status were filed against Los Angeles County ("LA County"), as well as against two of its affiliated PACE lenders, Renovate America and Renew Financial, alleging non-compliance with standard consumer underwriting practices at the time of origination. Ygrene is not directly impacted by these lawsuits, as it is not a lending partner under the LA County PACE program.

Much of the concern with PACE assessments is in response to the fact that currently PACE assessments are not directly regulated by any federal agencies, and unlike other consumer loans where the underwriting guidelines take into account the credit history of the borrower and his or her ability to pay, PACE assessments are underwritten on the value of the property securing it. These concerns, however, are partially mitigated by some of the self-regulatory steps PACE lenders have taken, in conjunction with their respective Joint Powers of Authority, to implement industry-wide guidelines and best practices and the eligibility criteria set forth in the Key Credit Consideration below entitled "**Underwriting Guidelines**", all of which KBRA views as a credit positive.

FHFA Objections to Residential PACE Programs

The Federal Housing Finance Agency ("FHFA"), the conservator of Fannie Mae and Freddie Mac, believes that PACE liens with priority over existing mortgages are unlike routine tax assessments and contravene the terms of Fannie's and Freddie's form mortgages prohibiting senior liens. Although the California Local Agencies have obtained final, non-appealable judicial orders from California Superior Courts in Sacramento, Riverside, Yolo and San Diego Counties and a Florida Superior Court in Leon County **affirming the validity, enforceability and seniority of the PACE liens, FHFA's public opposition indicates there is a risk the FHFA may challenge the validity of a PACE lien against a mortgagee's security interest in federal court.** A successful challenge may result in impairment of the PACE Assessments.

While KBRA views this risk as remote, KBRA applied a stress scenario to test the risk of the **pool's exposure to properties that** are encumbered by a Fannie or Freddie lien. The stress scenario assumed that in the event of a default on a PACE assessment relating to a property encumbered by a Fannie or Freddie lien (and therefore a default on the subordinate mortgage loan), the FHFA was effectively able to nullify the amount due in arrears through litigation. Pursuant to the PACE Asset Eligibility Criteria for Subsequent PACE Assets and current portfolio stratification, KBRA assumes that approximately 30% of the pool will consist of properties encumbered by a Fannie or Freddie mortgage. As a result KBRA assumed there were no recoveries on the amount that was due in arrears during the assumed period of non-payment on 30% of the defaults, which is the equivalent percentage of properties in the portfolio that are encumbered by a Fannie or Freddie lien. KBRA assumes 100% recoveries, albeit delayed 54 months **under the 'AA+' stress scenario with respect to the non-Fannie and non-Freddie residential obligors.** The results of such stress are shown in "**Cash Flow Stress Scenarios & Results**", Scenario 3.

Commercial Lender Notification

In the course of originating commercial PACE assessments Ygrene does not obtain consent from the commercial mortgage lender. Generally at the time of origination transaction documents associated with commercial mortgages prohibit the establishment of additional liens that are senior to the lien held by the mortgagee. As mentioned above a PACE assessment creates a lien that is **senior to a mortgagee's lien. Similar to the FHFA's concerns described above with respect to residential PACE, a commercial mortgage lender may challenge a commercial PACE obligor on the basis that the obligor violated the commercial mortgage transaction documents with the creation of a lien that primes the lender.**

To address the risk of a potential challenge of the commercial PACE lien by a commercial mortgage lender, **KBRA applied a stress scenario to test the risk of the pool's exposure** to properties that are encumbered by a commercial mortgage. The stress scenario assumed that in the event of a default on a commercial PACE assessment relating to a commercial property subject to a mortgage, the commercial mortgage lender was effectively able to nullify the amount due in arrears through litigation. As a result, KBRA assumed there were no recoveries on the amount that was due in arrears during the assumed period of non-payment on 4.0% of the defaults, which is the expected percentage of commercial properties in the portfolio. The results of such stress are shown in **"Cash Flow Stress Scenarios & Results", Scenario 3.**

Environmental Risk Related to Commercial Properties

With respect to certain types of commercial properties, Ygrene does not conduct a **Phase I Environmental Site Assessment ("Phase I") in the course of originating commercial PACE assessments.** The purpose of a Phase I is to identify existing or potential environmental contamination liabilities. The lack of a Phase I could potentially lead to environmental liabilities of the Issuer to the extent the Issuer foreclosed on a delinquent commercial PACE assessment located on a contaminated commercial property.

To address the potential risk of environmental liability, Ygrene performs an environmental database review of every commercial property during the origination process. **The environmental database review is a desktop review of the subject property's** regulatory documents and files associated with current and historical releases. The review attempts to identify potential current and future risks on a property without the benefit of performing invasive sampling. In addition, the review encompasses properties adjacent to the subject property. The environmental database reviews for the commercial PACE Assets were provided by VERAcheck Environmental Risk Advisory, Inc. Of the fifteen largest commercial properties by assessment principal balance in the portfolio of Initial PACE Assets, one property (approximately 0.06% of the initial Pool Balance) was assigned a VeraCheck Risk Level of 4 on a scale from 1 to 6, with 6 being the highest risk level. To test the sensitivity of the cash flow to this property, KBRA did not give credit to the payments generated by it.

Prior to initiating foreclosure proceedings with respect to a defaulted commercial PACE Asset, the Assessment Administrator will direct the respective Program Administrator to order a Phase I. To the extent there is any indication of an environmental issue that could result in liability to the Issuer, the Assessment Administrator will not pursue a

<p>foreclosure action on the defaulted commercial PACE Asset. Commercial properties represent approximately 5.90% of the Initial PACE Assets. The Eligibility Criteria prohibit the purchase of commercial properties as part of the Subsequent PACE Assets after the closing date.</p>	
<p>Underwriting Guidelines</p> <p>At the time of origination, each PACE program includes eligibility requirements covering the property owner and property. These criteria typically place restrictions regarding jurisdictions, property types, LTV ratios, and property owner’s payment history. KBRA views the eligibility requirements, especially the low maximum LTV of the PACE assessment, as a positive credit consideration for this transaction. For a list of the eligibility requirements please refer to the Assessment Origination section below.</p>	+
<p>Repurchase Obligations of the Representations and Warranties Obligor</p> <p>To the extent that a breach occurs in any representation or warranty made by the Representations and Warranties Obligor in the Representations and Warranties Agreement and such breach materially and adversely impacts the validity, collectability or enforceability of a PACE Asset, Ygrene, which acts as the Representations and Warranties Obligor, has agreed, no later than 60 days of notice of breach, to either cure such breach, repurchase the PACE Asset from the ABS Note Trustee at a repurchase price equal to the unpaid principal balance of such PACE Asset together with interest accruing on such PACE Asset through the date on which such repurchase price is paid, or to transfer one or more substitute PACE Assets to the ABS Note Trustee. On the payment date the sum advanced will be applied in accordance with the Priority of Payments described below.</p> <p>The inclusion of this recourse to Ygrene is consistent with the “buyback” obligation that is present in most asset-backed securitizations and provides investors with additional comfort that the PACE Assets comply with the material guidelines established for the PACE program. After receipt of a repurchase payment, if the Issuer receives subsequent amounts representing payments from the property owner in respect of repurchased the non-conforming PACE Assessment, these proceeds would be paid by the Issuer to Ygrene Energy Fund Inc.</p>	+
<p>Creditworthiness of the Counties</p> <p>PACE Assessment collections may be commingled with other tax revenues of the counties for several months before being remitted to the ABS Note Trustee. As such, there is a risk that a portion of collections may be subject to an automatic stay in the event of a bankruptcy of a county. KBRA has assessed the creditworthiness for the Counties of Los Angeles, San Diego, Sacramento, Miami-Dade, Broward, San Bernardino, and Riverside and has concluded each county’s current financial standing does not act as a constraint on the rating of the notes. The transaction also includes forty-eight other counties, the largest of which represents approximately 2.66% of the portfolio. KBRA does not generally perform a separate credit estimate for counties in which less than 10% of the portfolio is located.</p>	+

<p>Other transaction components that mitigate county bankruptcy risk include the divergence of certain amounts of excess cash into a reserve account in case a county is downgraded below investment grade.</p>	
<p>Counties Accept Partial Payments For Delinquent Taxes</p> <p>When PACE Assessments are entered on the tax roll, the county bills them along with other real estate taxes. Los Angeles County, CA, Broward County, FL, and Miami-Dade County, FL (representing a total of 55.9% of the PACE Asset Portfolio by principal balance) accept partial payments from the taxpayer on current tax payments. KBRA views this as a credit negative as it mitigates the risk of selective defaults of the PACE Assessments. However, full payment must be received from the taxpayer in order for the tax bill to be considered paid-in-full, i.e., a taxpayer is still considered delinquent despite the county’s acceptance of a partial payment by the taxpayer. Moreover, none of these counties accepts partial payments on delinquent tax payments, i.e., any prior delinquency of a tax bill must be extinguished completely to be considered paid-in-full. Partial payments by property owners of their taxes and assessments received by the counties generally are applied pro rata across all taxes and assessments due. In the Counties of Broward and Miami-Dade, homeowners who make a partial payment no longer benefit from the discounts offered to full payments.</p>	<p>- / +</p>
<p>Lack of Historical Loss Data</p> <p>As a new asset class, there is minimal historical PACE assessment default or foreclosure data available. In its analysis, KBRA used historical residential real estate tax default data for the counties where the properties subject to the PACE Assessments are located as a proxy for PACE Assessment defaults. KBRA views this as an acceptable proxy, since PACE assessments are equal in priority to other real estate taxes. As noted above, none of the counties related to the GoodGreen 2018-1 pool accepts partial payment of taxes except for Los Angeles County, Broward County, and Miami-Dade County.</p>	<p>-</p>
<p>Geographical Concentration</p> <p>All PACE Assessments are levied on properties located in California and Florida (representing 55.1% and 44.9% of the aggregate principal balance of the Initial PACE Assets, respectively), with Los Angeles, San Diego, Sacramento, Miami-Dade, Broward, San Bernardino and Riverside Counties accounting for approximately 75.24% of the principal balance. Adverse economic circumstances or catastrophic events, such as earthquakes and floods, in the counties represented in this transaction may have a significant impact on the ability of obligors to make payments on the PACE Assessments.</p>	<p>-</p>
<p>Delinquent Florida PACE Assessments Subject to Auction</p> <p>Delinquent PACE assessments located in Florida are subject to sale via a tax certificate auction. Per Florida statute, by June 1 after the day of delinquency, a delinquent Florida PACE assessment is advertised as a tax certificate for sale once per week for three weeks. The purchaser of the tax certificate must pay the taxes in arrears, interest, costs and charges that exist in order to award the tax certificate.</p>	<p>+</p>

<p>Over the prior eight years the rate of sale of tax certificates by number and by total value in Broward County and Miami-Dade County has exceeded 95%. As a result KBRA has assumed a time to recovery of one year for delinquent PACE assessments in Florida.</p>	
<p>Potential Impact of Natural Disasters</p> <p>The states of California and Florida are vulnerable to natural disasters such as earthquakes, wildfires, and hurricanes. The occurrence of such an event may cause increased voluntary or involuntary delinquencies for assessments in the securitization. Furthermore, a material reduction in property values as a result of natural disasters may diminish proceeds available from home sales.</p> <p>Hurricane Irma, a Category 5 natural disaster, made landfall in Florida in September 2017 and caused particularly severe damage on the western coast of the state. In addition, a series of wildfires spread through parts of California, specifically the Counties of Mendocino, Butte, and Solano, in October 2017. As a result, certain assessments included in the collateral portfolio may have been affected. While the true impact of these events is still uncertain, KBRA notes that the counties most affected by these natural disasters do not represent a significant percentage of the PACE Asset Portfolio.</p>	<p style="text-align: center;">-</p>
<p>Option to Advance Funds for Delinquent Assessments</p> <p>Ygrene or any third party approved by the Program Administrator ("Advancing Party"), has the option to advance funds to the ABS Note Trustee to pay delinquent PACE Assessments. Proceeds related to any advance will be applied in accordance with the Priority of Payments on the subsequent payment date.</p> <p>KBRA views the potential advance of funds by the Advancing Party to pay delinquent PACE Assessments as a credit positive as the projected maximum amount of cash for a collection period may be available for debt service.</p> <p>To the extent a delinquent assessment receives an advance of funds, the Advancing Party will be entitled to receive those proceeds along with any penalty interest or penalty fees that were received from amounts subsequently paid by the homeowners. These amounts are separated from the total PACE Asset proceeds received by the Issuer and are not used to make debt service payments on the PACE Assets to the Collection Account. Reimbursement of such amounts to the Advancing Party is only with respect to the individual delinquent PACE Assessment installments, where an advance of funds was provided by the Advancing Party and subsequently paid.</p>	<p style="text-align: center;">+</p>
<p>Modifications of PACE Assets</p> <p>In its capacity as U.S. Administrator, Ygrene has the option to perform certain servicing functions with respect to distressed PACE Assets, including if such modification is expected to improve cash flow from such asset, representing up to 5% of the PACE Asset Portfolio by principal balance. These functions include modifying the term, principal amount, or interest rate of the assessment, and waiving the prepayment premiums owed by the homeowner. Modifications such as reducing the principal balance or lowering the interest rate of an assessment can negatively impact the cash flow available in the securitization for debt service. In order to reduce this risk, the applicable Ygrene entity has committed to injecting funds into the securitization in an amount such that the cash</p>	<p style="text-align: center;">-</p>

that would have otherwise been expected to be received from any modified PACE asset is not reduced as a result of such modifications.

Key Changes from GoodGreen 2017-2

Collateral

Collateral Composition

The Initial PACE Asset portfolio composition in this transaction is largely in line with that of the previous transaction, GoodGreen 2017-2. Some changes regarding the collateral are listed below:

- Higher average assessment value (\$24,591 vs. \$ 23,680).
- Slightly higher average annual payment (\$2,672 vs. \$2,667).
- Lower weighted average coupon (7.77% vs. 8.00%).
- Slightly higher weighted average term (19.47 vs. 18.98).
- Higher number of counties (55 vs. 49).
- Slightly higher share of commercial properties (5.9% vs. 5.8%). However, no assessments on commercial properties are permitted in the Subsequent PACE Assets.

Company/Operations

Regulatory Update

In October 2017 Governor Jerry Brown of California signed bills SB 242 and AB 1284, establishing new requirements regarding consumer protection, reporting standards, licensing and originations, among other things.

Transaction / Legal Structure

Prefunding

GoodGreen 2018-1 features a prefunding account that represents approximately 32.5% of the final anticipated collateral at the end of the Prefunding Period. All Subsequent PACE Assets will be subject to the Eligibility Criteria that govern the portfolio regarding characteristics such as the minimum representation of PACE Assets with a certain term and coupon, creditworthiness of obligors and LTV ratio.

Default Trigger

An "Aggregate Defaulted Assessment Event" will occur if the aggregate PACE Asset Delinquent Amount of the Defaulted Assessments is equal to or greater than 6% of the initial Pool Balance. Once an Aggregate Defaulted Assessment Event has occurred, it cannot be cured and payments on the Notes are accelerated until paid in full.

A "Defaulted Assessment" means (x) a payment in full of the property tax obligation with respect to any Assessment has not been made (and which continues to remain unpaid in full) for two or more consecutive years or (y) such PACE Asset is deemed uncollectible.

Liquidity Reserve Account Floor

The minimum required amount in the Liquidity Reserve Account on any payment date is higher than in the previous deal (\$1 million vs. \$500,000).

Overcollateralization

Overcollateralization at closing will be 3.00% of the initial Pool Balance. The OC will increase by 10 bps annually for the first ten years of the transaction, beginning in October 2019, until it reaches 4.00%. After year 10, the OC will be maintained at 4.00%.

Collateral Overview

Over thirty States in the U.S. and Washington, D.C. have passed legislation allowing municipalities to create PACE programs. PACE programs enable local governments to finance renewable energy and energy efficiency projects on privately owned residential, commercial, agricultural, and industrial properties. The purpose of PACE programs is to promote energy efficiency, water conservation and renewable energy improvements, support green job creation, and stimulate economic activity. The programs also eliminate the barriers of high upfront costs and lack of available funding for eligible improvements.

Property owners may enter into voluntary contractual assessments levied on residential properties in order to finance the acquisition and installation of eligible energy efficiency, water conservation and renewable energy improvements, which are known as PACE assessments. A PACE assessment constitutes a lien against the entire property, not just the specific improvement installed and funded by the PACE assessment. The assessment remains with the property, irrespective of any intervening sales, until it is fully paid. The lien of each PACE assessment is equal to liens for ad valorem taxes on real property, is generally not subject to extinguishment upon sale of the property, and is considered senior to all non-tax liens.

PACE Assets

The PACE Assets located in California were originated under the Mello-Roos Community Facilities Act of 1982. Each California PACE asset represents the right to receive payments of special taxes imposed by the applicable jurisdiction on a residential or commercial property. Each California PACE asset is secured by a notice of special tax lien recorded against the applicable property by the applicable California local agency. Each California PACE asset also includes the right to cause enforcement of payment of delinquent special taxes through judicial foreclosure. California PACE Assets are paid in equal semi-annual installments that become delinquent if not paid by December 10th and April 10th in each tax year.

The PACE **Assets located in Florida refer to limited obligation bonds issued by the Green Corridor District's** PACE program. Each bond is secured by a voluntary non-ad valorem special assessment, an assessment lien(s) recorded against the property and the related financing agreement between the Green Corridor District and the related property owner. Florida PACE Assets are paid in a single annual installment that becomes delinquent if not paid by March 31st in each calendar year.

GoodGreen 2018-1 Collateral Overview

The notes are secured by the PACE Asset Portfolio, which consists of 9,633 PACE Assessments issued by the PACE Asset Issuers on 8,615 residential and commercial properties located in 42 California and 13 Florida counties. The aggregate principal balance of the PACE assessments is approximately \$236.9 million. The average PACE Assessment is approximately \$24,591 with an average annual payment of approximately \$2,672. A summary of the Initial PACE Assets is shown in the tables below.

Initial PACE Asset Summary		Initial PACE Asset Portfolio by County			
Summary of Assessments		County	# of Assessments	Principal Balance	% of Principal Balance
Number of Assessments	9,633	Miami-Dade	2,155	\$45,750,052	19.31%
Avg Assessment Value	\$24,591	Los Angeles	1,189	\$45,233,598	19.10%
Range	\$2,586 - \$647,613	Broward	2,089	\$41,374,212	17.47%
Avg Annual Payment	\$2,672	San Diego	538	\$17,192,881	7.26%
Range	\$275 - \$61,083	Sacramento	683	\$15,315,095	6.47%
WA Assessment LTV	7.26%	San Bernardino	251	\$7,044,889	2.97%
Range	0.10% - 15.00%	Riverside	227	\$6,315,704	2.67%
WA Mortgage LTV	53.19%	Palm Beach	304	\$6,292,043	2.66%
Range	0.00% - 90.00%	Hillsborough	372	\$6,035,523	2.55%
WA Combined LTV	60.44%	Orange	143	\$5,404,353	2.28%
Range	0.20% - 100.00%	Fresno	176	\$4,270,447	1.80%
		Alameda	128	\$3,814,398	1.61%
		Solano	86	\$3,255,871	1.37%
		El Dorado	93	\$2,882,686	1.22%
		Pasco	186	\$2,703,471	1.14%
		Contra Costa	90	\$2,683,453	1.13%
		San Joaquin	123	\$2,431,347	1.03%
		Collier	108	\$2,199,305	0.93%
		Ventura	71	\$2,188,987	0.92%
		Santa Clara	82	\$2,158,052	0.91%
		Kern	48	\$1,382,678	0.58%
		Charlotte	63	\$971,062	0.41%
		Yolo	52	\$917,962	0.39%
		Shasta	35	\$871,603	0.37%
		Humboldt	35	\$831,954	0.35%
		Butte	28	\$747,501	0.32%
		Yuba	28	\$608,041	0.26%
		Napa	13	\$607,099	0.26%
		Madera	23	\$570,779	0.24%
		Calaveras	19	\$492,948	0.21%
		Tehama	19	\$408,831	0.17%
		Kings	23	\$402,355	0.17%
		Tulare	21	\$384,836	0.16%
		Alachua	22	\$374,650	0.16%
		Sonoma	8	\$364,789	0.15%
		Pinellas	1	\$258,208	0.11%
		Glenn	11	\$244,666	0.10%
		Mendocino	12	\$243,206	0.10%
		Mariposa	7	\$197,112	0.08%
		Marin	7	\$187,633	0.08%
		Marion	15	\$174,734	0.07%
		San Mateo	8	\$169,618	0.07%
		Merced	6	\$169,254	0.07%
		San Luis Obispo	7	\$156,328	0.07%
		Orange	7	\$125,129	0.05%
		Colusa	5	\$119,207	0.05%
		Santa Cruz	1	\$82,350	0.03%
		Stanislaus	5	\$63,670	0.03%
		Del Norte	1	\$61,175	0.03%
		Imperial	3	\$38,920	0.02%
		Amador	2	\$31,174	0.01%
		Siskiyou	1	\$27,066	0.01%
		Brevard	1	\$25,078	0.01%
		Monterey	1	\$14,869	0.01%
		Clay	1	\$9,102	0.00%
		Total	9,633	236,881,954	100.00%
Summary of PACE Bonds					
Total Principal Amount	\$236,881,954				
WA Coupon	7.77%				
Range	4.74% - 8.99%				
WA Original Term	19.47 years				
Range	5 - 30 years				

Prefunding Account

On or before closing, an amount of at least \$110,694,504 will be deposited into a Prefunding Account to fund the purchase of Subsequent PACE Assessments between closing and the earlier of 90 days after the Closing Date and the occurrence of an Event of Default (the "Prefunding Period"). All Subsequent PACE Assets will be subject to the Eligibility Criteria that govern the portfolio regarding characteristics such as the minimum representation of PACE Assets with a certain term and coupon, creditworthiness of obligors and LTV ratio. The complete Eligibility Criteria can be found in the [Appendix A](#) of this report. In order to model cash flows from the Subsequent PACE Asset portfolio, KBRA used a representative pool of assets exhibiting the most conservative characteristics permitted by the Eligibility Criteria.

Process Overview

Key Parties

Ygrene Energy Fund Inc.

In 2006, Ygrene's founder, Dennis Hunter, established a bank lending system called Green Energy Loan ("GEL"), which enabled homeowners to retrofit their homes to reduce carbon emissions. As a result of the success of GEL, Mr. Hunter founded Ygrene in 2010 with the goal of establishing a national PACE program. Ygrene is now in a position to offer turnkey clean energy financing district set-up, administration and financing throughout the U.S.

Ygrene is headquartered in Petaluma, CA and currently employs approximately 300 full-time employees. Currently the majority of Ygrene's clients are focused in the California and Southern Florida regions. However, the company is expected to grow via new jurisdictions throughout Florida, Georgia and Missouri.

Ygrene originates directly with property owners and has a referral network consisting of more than 2,000 contractors and energy service company partners who have been certified by Ygrene. Besides holding all required state licenses and certifications, participating contractors must complete a Ygrene training course covering the nature and benefits of tax-secured financing, qualifying property enhancements, energy audit requirements, and acceptable sales and marketing practices. Once certified, contractors can submit applications through Ygrene's proprietary project workflow software system that provides property search, underwriting, step-by-step monitoring and funding administration functionality.

In June of 2017, Ygrene initiated a third-party investigation after it discovered that some employees had improperly completed the documents for certain PACE assets (in some cases this related to the use of **DocuSign, Inc., an electronic execution system provider**). Based on this investigation and Ygrene's own review, Ygrene repurchased 221 affected PACE assets from its securitization trusts (except for one repurchase in October 2017 all repurchases were completed in 3Q 2017). Additionally, documentation to cure defects relating to 802 other affected PACE assets has been submitted to the applicable custodian. Ygrene notes that a majority of affected PACE assets identified by the investigation did not contain defects for which repurchase or cure was required.

Willdan Financial Services

Willdan Financial Services ("Willdan") was founded in 1988. Willdan is a wholly-owned subsidiary of Willdan Group, Inc. Willdan is in the business of administering property tax districts in various jurisdictions in the United States and has developed software that tracks property tax payments. These services include providing assistance with the administration of PACE Programs and coordination between the county auditor and county tax collector for each applicable county and the Florida bond trustee and California escrow agent.

These services include maintaining databases of parcels within PACE Programs, including assessed parcel numbers, annual assessment amounts and relevant data; submission of annual assessment levies to applicable county auditors for inclusion on the consolidated property tax bills; review of county records to identify tax delinquent parcels; responding to property owner inquiries; and preparing payoff quotes.

Assessment Origination

All assessments are originated directly by Ygrene with property owners via referrals from equipment vendors or certified contractors. To become a Ygrene certified contractor, the contractor must submit an application with three (3) client references to Ygrene. The prospective contractor must be licensed and in good standing with the respective state license bureau, be bonded/insured and have no pending actions against them before the state license bureau. All contractors must complete training. The training program educates contractors on PACE law; Ygrene program eligibility; underwriting; Ygrene's online software portal; project submission and approval processes; sales and marketing tools; and additional **rules governing Ygrene's** program. Existing certified contractors are reviewed annually to ensure good standing for recertification.

All PACE assessment applications are created via a web portal. Once an application is created a Ygrene advisor will complete the underwriting package by completing the following:

- Pull and review a credit report from Universal Credit
- Pull a condition of title report
- Pull a history of tax payments from **the county assessor's website** or third-party data provider

Although a credit score is not used to underwrite, credit reports are pulled and reviewed on all applicants as a check for additional loans against a property. Denials are typically due to excess LTV or tax delinquency. There are no underwriting exceptions.

Property owners and properties must meet the following criteria to be eligible:

- Such PACE Asset is secured by one or more PACE Assessments on commercial or residential property;
- The maturity of such PACE Asset is less than or equal to the useful life of the improvements financed by the PACE Assessments backing (or comprising) such PACE Asset;
- No Assessment backing (or comprising) such PACE Asset is on a property with Mortgage Loan LTV Ratio greater than 90% (except that with respect to properties in Yolo County, 85%) and the Combined Mortgage Loan and Aggregate Assessment LTV Ratio does not exceed 100% for all Florida PACE Assets. The Combined LTV does not exceed 100% for California PACE Assets that were approved prior to January 1, 2018, and 97% for PACE Assets that were approved on or after January 1, 2018 (except with respect to properties located in the city of San Diego, where such limit is 95% regardless of time of approval);
- With respect to residential PACE Assets for California properties for which applications were approved prior to January 1, 2017, the amount financed is 15% or less of the Fair Market Value, with the exception of the Yolo County California Program, where such percentage is 10% or less of the Fair Market Value. With respect to residential PACE Assets for California properties for which applications were approved on or after January 1, 2017, the amount financed is (a) 15% or less of the first \$700,000 in Fair Market Value and (b) 10% or less of the Fair Market Value in excess of \$700,000. For Florida properties, the amount financed is the lesser of 15% of the Fair Market Value or 20% of the "Just Value," in each case at the time of approval of the Debtor's application;

- Such PACE Asset has been issued by a Governmental Authority in compliance with all applicable State, and local laws and regulations;
- Such PACE Asset relates to an Assessment or Assessments on property or properties located within the jurisdiction of a Governmental Authority;
- Such PACE Asset relates to an Assessment or Assessments on property or properties for which property taxes are current and, with respect to properties approved by the Florida Program Administrator, no tax payment delinquency has occurred within the three (3) years immediately **preceding the date Debtor's application** for financing relating to such PACE Asset was approved by the Program Administrator or Debtor's period of ownership, whichever is shorter;
- **At the time of approval of the Debtor's application, such PACE Asset relates to an Assessment or Assessments on a property or properties for which indebtedness secured by a mortgage or deed of trust attaching to such property or properties is current and (i) with respect to all PACE Assets originated under the Florida Program, for which no recorded notices of default have been issued in respect of the Debtor within the lesser of three (3) years immediately preceding the date of the Debtor's application for financing relating to such PACE Asset was approved by the Florida Program Administrator or the Debtor's period of ownership of the subject property, (ii) with respect to PACE assets relating to properties located in San Diego, for which there have been no late mortgage payments by Debtor within 24 months preceding Debtor's application for financing, and (iii) with respect to all California PACE Assets, for which no active recorded or reported notices of default exist and for those approved after January 1, 2018, no more than one late payment during the twelve (12) months preceding the application date have occurred and such late payment was no more than thirty (30) days late;**
- Such PACE Asset relates to an Assessment or Assessments on a property or properties for which the owners of record were not involved in a bankruptcy proceeding (and the property was not an asset in a bankruptcy proceeding) at the time of application with the exception of properties located in the City of San Diego, which requires that property owners not have been involved in bankruptcy proceedings during the past seven (7) years;
- Such PACE Asset has not been issued in connection with an Assessment or Assessments for work performed by a contractor for which the Administrator or the related Program Administrator has any knowledge (as of the date of the applicable Assessment contract for the related PACE Asset) that such contractor has had its license currently revoked or suspended;
- The property securing the related Assessment was appraised in accordance with the term "**Qualified Ygrene Appraisal**";
- If such PACE Asset is a Commercial PACE Asset, such PACE Asset has a Qualifying Environmental Report;
- Each Debtor is the property owner of record as shown in the real property records of the applicable county. If the real property is owned by an entity other than an individual or group of individuals, documentation establishing ownership and signing authority is included in the PACE File;
- Such PACE Asset is secured by an improved property, including new construction. "New construction" includes new homes under construction and additions to existing structures;

- The subject property is not subject to involuntary liens, such as judgment liens, mechanic's liens or similar liens, in excess of \$1,000. Notwithstanding the foregoing, prohibited liens do not include community facility district special taxes or other financing district liens placed on all properties in the applicable financing district;
- If property securing such PACE Asset is a mobile home or a manufactured home, it is permanently attached to the real property and taxes as real property; and
- Proceeds to the Property Owner from the PACE Assets were used to fund eligible investments.

Once approved, rate and term options are provided to the applicant; the term cannot exceed the useful life of the asset. Municipalities are not regulated entities, thus reporting and compliance is limited.

Prior to funding, the following are required as part of a payment request:

- Lien release
- Building permit, if applicable
- City building inspection, if applicable
- Assignment of rights to receive proceeds (if contractor is the payee)
- Property owner Certificate of Completion and funding attestation
- Signed pro forma closing statement
- Final Truth in Lending statement (residential PACE only for California)

All funding requests are reviewed and approved by Ygrene's CEO or CFO prior to disbursement. Funds are wired directly to the contractor (or directly to the homeowner if there is no contractor involved) only after installation is complete and certified by the homeowner.

Servicing

Willdan is the Assessment Administrator under the Amended and Restated Master Consulting Agreement dated May 10, 2016 by and between the Assessment Administrator and Ygrene Energy Fund Inc. (the **"Consulting Agreement"**), **as supplemented by the Assessment Administration Agreement dated the Closing Date by and among the ABS Note Trustee, the Issuer, the Assessment Administrator and Ygrene Energy Fund Inc. (together with the Consulting Agreement, the "Assessment Administration Agreement"), and the Servicer under the Escrow Agreement.** Pursuant to the Assessment Administration Agreement, the Assessment Administrator will take certain actions with respect to the PACE Assets, including the following:

- Maintaining a database of parcels underlying each PACE Asset;
- Submitting the annual special tax or assessment levies to each county for inclusion consolidated property tax bills;
- Verifying inclusion of the levies on the tax roll for all participating properties within 30 days issuance of the tax roll;
- Reviewing county records to identify delinquencies and proper collections and delinquency detail reports at least 3 times per each calendar year;
- Monitoring and recording reinstatements and other tax record activities and providing quarterly reports regarding such information; and

- Providing reports that include the amount of principal and interest paid on each PACE Asset and the remaining principal balance of each PACE Asset.

Willdan reviews payment information provided by the county and confirms delinquency if appropriate by February 28th, May 31st and September 30th. Willdan will send delinquency reminder letters to property owners within 10 days of each February and May delinquency reports. By September 30th Willdan provides Ygrene a list of the parcels in all counties, except for Sacramento County, that are still delinquent as of the October 1 foreclosure deadline. For Sacramento County, delinquencies will be reported by January 30th. Ygrene with the assistance of Willdan will engage counsel to initiate foreclosure proceedings on the delinquent parcels.

Legal Considerations

FHFA Objections to Residential PACE Programs

The FHFA, the conservator of Fannie Mae and Freddie Mac, has declared that PACE programs which permit municipalities to impose tax liens that prime existing mortgages present “significant safety and soundness concerns” and represent a “key alteration of traditional mortgage lending practice”. The FHFA has stated that Fannie’s and Freddie’s uniform mortgage documents prohibit PACE financing with lien priority over the mortgage.

In order to counter these concerns, all of the counties included in the transaction have obtained judicial validation of their PACE programs in the respective county Superior Court. In a judicial validation, an entity requests that a court of competent jurisdiction confirm the legality of validity of certain actions, in this instance the creation of a special tax or assessment associated with the origination of a PACE asset.

Although the counties have taken many steps to protect PACE assessments from federal challenge, KBRA believes there remains a small but material risk that the FHFA may successfully challenge California’s PACE program under the U.S. Constitution’s Supremacy Clause, which requires that states and municipalities recognize the supremacy of federal law whenever it conflicts with state or local law. If successfully challenged by the FHFA, the PACE assets may be impaired. As a result, KBRA tested the transaction structure by assuming (i) the PACE program is successfully challenged and (ii) all the PACE assets that defaulted in the pool over the life of the notes related to properties with a Fannie or Freddie mortgage (which KBRA estimates to be approximately 30% of the residential properties in the pool) realize zero recoveries. The results of such stress are shown in “Cash Flow Scenarios & Results”, Scenario 3.

Commercial Lender Notification

Generally at the time of origination transaction documents associated with commercial mortgages prohibit the establishment of additional liens that are senior to the lien held by the mortgagee. As mentioned above a PACE assessment creates a lien that is senior to a mortgagee’s lien. Similar to the FHFA’s concerns described above with respect to residential PACE, a commercial mortgage lender may challenge a commercial PACE obligor on the basis that the obligor violated the commercial mortgage transaction documents with the creation of a lien that primes the lender.

To address the potential challenge of the commercial PACE lien, a commercial PACE originator may obtain consent from the commercial mortgage lender prior to the creation of the lien in addition to obtaining a judicial validation. However, while Ygrene has obtained judicial validations in all counties where the commercial PACE assets reside, the Company does not seek lender consent. The Company notifies the commercial lender about impending commercial PACE lien. As a result, KBRA tested the transaction structure by assuming (i) the PACE program is successfully challenged and (ii) all the PACE assets that defaulted in

the pool over the life of the notes related to commercial properties (which KBRA estimates to be approximately 4.0% of the properties in the pool) realize zero recoveries on the amount that was due in arrears during the assumed period of non-payment. **The results of such stress are shown in “Cash Flow Scenarios & Results,” Scenario 3.**

Risk of County Bankruptcy

Under each PACE program, property owners subject to a PACE assessment make property tax payments to the county in which their property is located. The county then remits all collections associated with the PACE Assessments to the Escrow Agent or Florida Bond Trustee, as required, periodically throughout the year. Collections on PACE Assessments are not separated from general tax collections until remitted, with the effect that until the funds are remitted to the Escrow Agent or Florida Bond Trustee as required, PACE assessment collections are commingled with other tax revenues of the county and may be subject to an automatic stay in the event of a municipal bankruptcy of the county. KBRA considered the following mitigating factors in the analysis:

- The transaction features a liquidity reserve that can cover interest and principal payments (on the first payment date) in case of a disruption in cash flows.
- When a county falls below investment grade, a percentage (equal to the portion of the pool represented by that county) of the funds available after payment of principal must be deposited into a County Reserve Account.

KBRA believes that in the event of the bankruptcy of a county related to the GoodGreen 2018-1 pool, collections on PACE **Assessments would likely constitute “special revenues” under Chapter 9 of the U.S. Bankruptcy Code** that would not be subject to the automatic stay and should not be diverted to pay debts unrelated to the PACE program. Nevertheless, KBRA decided to analyze the creditworthiness of the counties that account for 10% or more of the portfolio just in case a bankruptcy judge were to conclude that cash being held by an insolvent county before being swept to the PACE Asset Trustee was subject to the automatic stay, and KBRA concluded that the current financial standing of Los Angeles, San Diego, Sacramento, Miami-Dade, Broward, Riverside and San Bernardino Counties would not act as a constraint on the rating of the notes. KBRA does not generally perform a separate credit assessment for counties that account for less than 10% of the portfolio.

California PACE Loss Reserve Program

In March 2014, California launched the PACE Loss Reserve Program (**the “Program”**) to address concerns surrounding residential PACE following commentary issued by the FHFA regarding the potential risks in PACE financing to first mortgage holders. The Program was initially funded with \$10 million from California to mitigate the risk to mortgage lenders by offsetting losses that may be incurred due to the existence of a first-priority PACE lien on a property. The FHFA has indicated **to the Program’s administrators** that the Program does not address all of its concerns and that it retains its position regarding the first-priority lien structure inherent to PACE.

To be eligible for coverage under the Program, a PACE administrator must submit an application detailing its activities as it relates to PACE financings and administrative documents as prescribed by the Program. Enrolled programs must report to the state semiannually the total value of financings originated during each semiannual period. The PACE Assessments included in the PACE Asset Portfolio are covered by the Program.

Although the Program’s existence was not a material quantitative factor in the rating on the notes, KBRA believes the development of the Program is a qualitative credit positive for the transaction.

Florida Tax Certificate Sales

Per Florida Statute, Chapter 197, "Tax Collections, Sales and Liens", Part 432, "Sale of Tax Certificates for Unpaid Taxes", delinquent Florida PACE assessments will be subject to the same auction process that currently exists for delinquent property taxes. By June 1st after the day of delinquency, a delinquent Florida PACE assessment is advertised as a tax certificate for sale once per week for 3 weeks. The purchaser must pay the taxes in arrears, interest, costs and charges that exist in order to be awarded the tax certificate.

The table below shows the percentage of tax certificates sold by number and by face amount for the two largest Florida counties that exist in the transaction. For the last 8 years for these two Florida counties the average percentage of tax certificates sold by number and sold by face number has exceeded 95%.

County	2016	2015	2014	2013	2012	2011	2010	2009
Miami-Dade County								
Certificates Offered	32,264	37,599	36,056	41,430	43,723	46,013	58,625	64,363
Certificates Sold	30,786	35,316	34,161	38,780	43,312	44,623	58,011	62,614
% of Certificates Sold	95.4%	93.9%	94.7%	93.6%	99.1%	97.0%	99.0%	97.3%
Face Amount Offered	\$ 149,959,104	\$ 155,337,142	\$ 141,530,370	\$ 170,383,536	\$ 186,439,984	\$ 186,493,593	\$ 306,312,313	\$ 380,271,748
Face Amount Sold	\$ 149,524,270	\$ 154,258,428	\$ 140,553,240	\$ 164,611,492	\$ 186,197,519	\$ 184,937,215	\$ 305,133,946	\$ 373,385,519
% of Certificates Sold	99.7%	99.3%	99.3%	96.6%	99.9%	99.2%	99.6%	98.2%
Broward								
Certificates Offered	21,175	22,834	23,618	24,116	27,669	30,250	31,956	42,944
Certificates Sold	20,789	22,571	23,305	23,973	27,576	29,905	31,864	42,552
% of Certificates Sold	98.2%	98.8%	98.7%	99.4%	99.7%	98.9%	99.7%	99.1%
Face Amount Offered	\$ 78,824,426	\$ 79,449,705	\$ 79,425,633	\$ 88,814,972	\$ 105,627,387	\$ 113,572,212	\$ 138,623,699	\$ 224,224,538
Face Amount Sold	\$ 78,622,241	\$ 79,316,476	\$ 79,146,740	\$ 88,721,701	\$ 105,610,054	\$ 113,088,460	\$ 138,583,057	\$ 223,400,611
% of Certificates Sold	99.7%	99.8%	99.6%	99.9%	100.0%	99.6%	100.0%	99.6%

Environmental Considerations

As an industry standard, a **Phase I Environmental Site Assessment** ("Phase I") is performed for transactions involving commercial properties. Typically, a Phase I involves a review of records, a site inspection and interviews with owners, occupants, neighbors and local government officials. The purpose of a Phase I is to identify potential or existing contamination on a commercial property.

As part of its underwriting process for commercial properties except with respect to certain types of commercial properties, the Company does not complete a full Phase I at origination. During the origination of the commercial PACE assessments in the portfolio Ygrene performed an environmental database review. The database review identifies the current and prior owner(s) and uses for the subject and neighboring properties. In addition, a regulatory records search is conducted with the database review, which lists whether the subject or any neighboring properties are the subject of any environmental enforcement actions. To mitigate against the assumption of environmental liability Ygrene performs a complete Phase I per the American Society for Testing and Materials standard prior to taking possession of a deed for a commercial property during foreclosure proceedings. To the extent the Phase I identifies a potential environmental liability the Company will not proceed with foreclosure of the property with the defaulted commercial PACE assessment. The environmental database reviews for the commercial PACE Assets were provided by VERaCheck Environmental Risk Advisory, Inc.

Cash Flow Base Case Assumptions

KBRA performed a cash flow analysis to test the transaction structure. The analysis considers a number of key inputs:

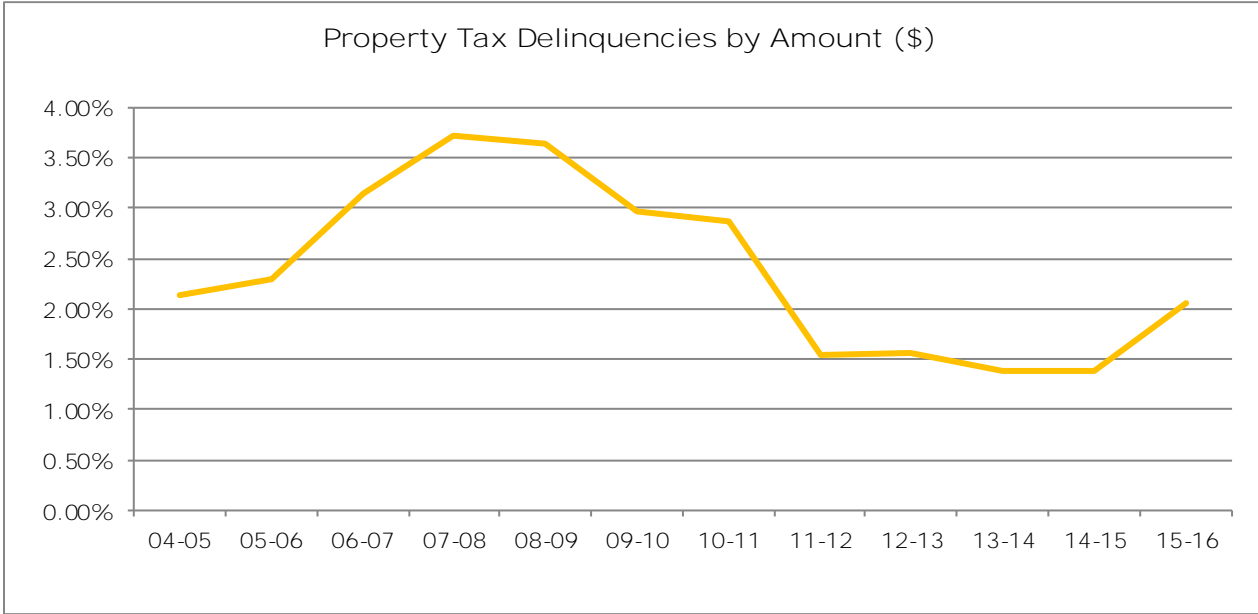
- Default rates
- Time to recovery
- Recovery rate

KBRA established a base case for each input and then applied stresses to test the transaction’s ability to pay timely interest and full principal by the legal final maturity date. **KBRA’s** analysis did not take into account cash flow received from the 10% penalty for payments made after the tax assessment due dates or the interest charge of 1.5% per month for property taxes in default in California. KBRA’s analysis also did not take into account prepayment penalties in CA and FL which provide additional credit enhancement to the transaction in the case of prepayments. **KBRA’s** base case assumptions are summarized in the following table and the rationale for each input is summarized below.

Base Case Cash Flow Assumptions		
Default Rate	Time to Recovery	Recovery Rate
3.00%	21 months	100%

Default Rate

As a new asset class, there is no direct default or foreclosure experience to rely upon in developing an expected loss proxy for PACE assessments. As a result, KBRA relied on property level residential real estate tax delinquency data in the participating jurisdictions of Los Angeles, San Diego, Sacramento, Miami-Dade, Broward and Riverside Counties. The graph below shows the blended annual tax delinquency rate for the Counties of Los Angeles, San Diego, Sacramento, Miami-Dade, Broward and Riverside.



	Amount (\$)												
Default Type	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	WA Avg
Amount (\$)	2.13%	2.29%	3.15%	3.73%	3.65%	2.96%	2.86%	1.55%	1.57%	1.38%	1.39%	2.06%	2.24%

The delinquency rates shown above do not represent new residential property tax delinquencies. Instead, **each year's** delinquency rate incorporates delinquencies from previous years. Property owners must be current on all property taxes at the time of PACE assessment origination. Since new real estate tax delinquencies in any one year must be equal to or below total tax delinquencies in that same year, KBRA views using this data to establish its base case default rate as conservative.

Time to Recovery

For delinquent taxes in California KBRA analyzed the number of years after a default for a residential property to become current on its property taxes. The data shows that on average over an eight year time period, 61.8% of residential tax defaults were cured by the following year and 81.2% within two years. In most cases these cures were not the result of foreclosure proceedings.

KBRA believes that the majority of properties that default on their real estate taxes would not result in a foreclosure. To be conservative, KBRA assumed all defaulted taxes in California go through the foreclosure process and are sold in a tax sale in the base case, meaning all defaulted PACE payments take 24 months to recover.

Due to the Florida state statute requiring delinquent taxes be sold at auction via tax certificates by June 1st following the delinquency and the 8-year average percentage of tax certificates sold exceeds 95% for the two largest Florida counties in the portfolio, KBRA assumed a recovery rate of 95% after 1-year for all delinquent Florida PACE assessments.

Recovery Rate

The PACE assessments are equal to liens for ad valorem taxes on real property, and senior to all non-tax liens, including mortgages. The underwriting criteria limit the maximum assessment LTV to 15% and PACE assessments do not accelerate due to a default, only the amounts in arrears, including fees and penalties, are due at foreclosure.

The table below shows the amount of annual PACE assessment and real estate tax payments due as a percentage of the property value at the time of origination, absent late penalties and fees, and the property value decline required to experience a loss, based on the weighted average coupon (7.77%), weighted average LTV (7.26%) and weighted average original term (19.5 years) and given varying amounts of time from default to recovery.

Amount at Risk as % of Property Value		
Foreclosure Time	PACE Debt Service Due	Property Value Decline Needed for Loss
12 Months	0.75%	99.25%
24 Months	1.51%	98.49%
36 Months	2.26%	97.74%
48 Months	3.01%	96.99%
60 Months	3.77%	96.23%

Property values would have to decline significantly to experience any losses at the time of foreclosure. As such, KBRA assumes a 100% recovery of all defaulted PACE assessment payments at the time of foreclosure in the base case.

Cash Flow Stress Scenarios & Results

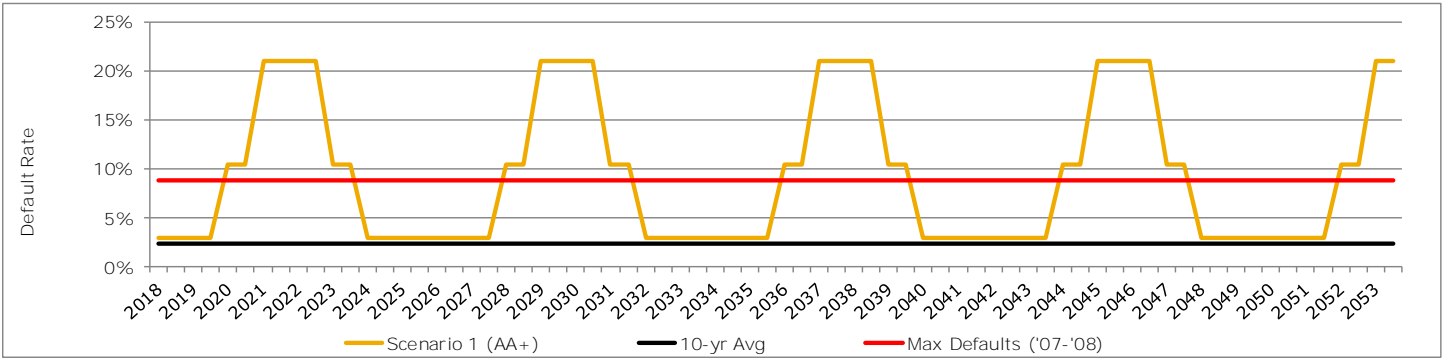
Stress Scenarios

KBRA ran multiple stress scenarios which varied default rates and timing, recovery rates, and time to recovery. The scenarios presented below represent the four most stressful scenarios.

In order to establish the stress levels for the commercial properties in the portfolio, KBRA estimated the **stress probabilities of default for different commercial property types using Ygrene’s PACE asset origination criteria.**

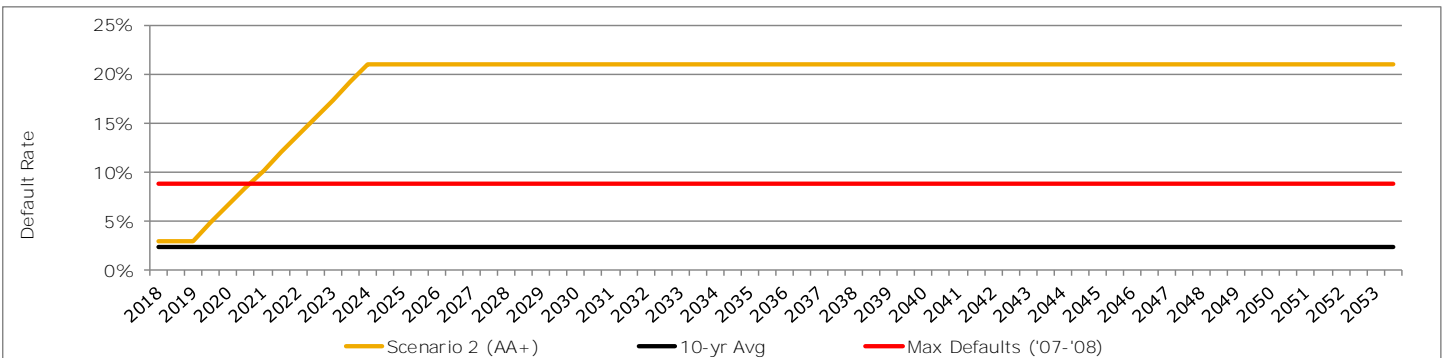
Scenario 1

Scenario 1 assumed four 4-year periods of high defaults. Defaults peaked at either 21.00%. The scenario also stressed the number of months it took from the time of default to the sale of the property from 21 months to 54 months. The recovery rate applied during this scenario was 73.0% compared to 100% in the base case. **The 73.0% recovery rate under the ‘AA+’ stress is the weighted average of 70.0% recovery rate for PACE assessments located in California and 80.0% recovery rate for PACE assessments located in Florida.**



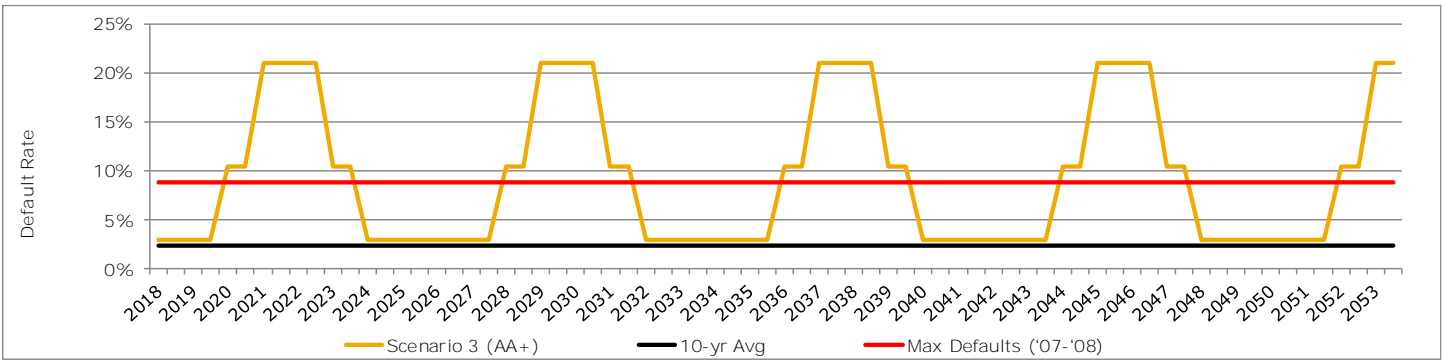
Scenario 2

Scenario 2 assumed default rates rapidly increased at a constant rate, peaking at 21.00% (‘AA+’ stress) in year six, where it remained throughout the life of the transaction. Similar to Scenario 1, KBRA assumed a 54-month time to recovery and a **73.0% recovery rate under the ‘AA+’ stress.**



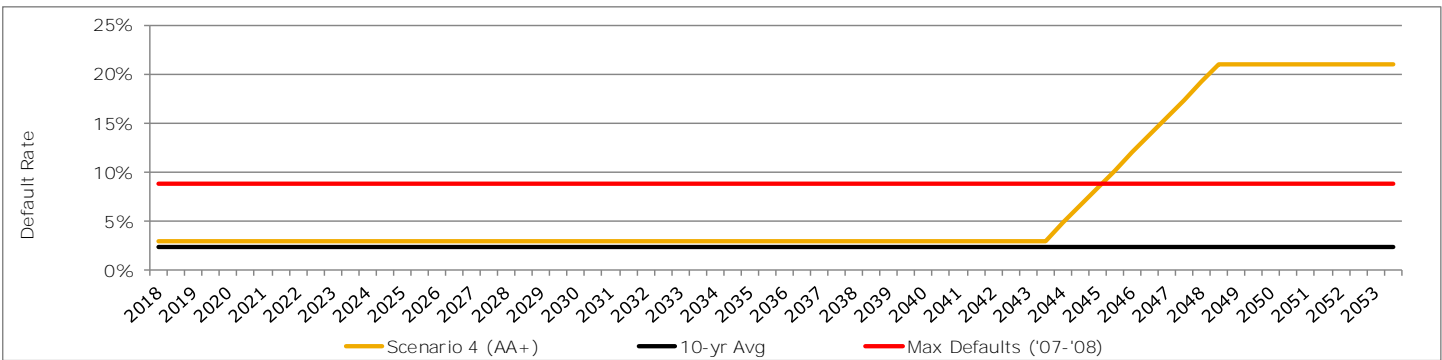
Scenario 3

Scenario 3 assumed that in the event of a default on a PACE Assessment relating to a property encumbered by a Fannie, Freddie or commercial mortgage lien (and therefore a default on the subordinate mortgage loan), the FHFA or commercial lender was effectively able to nullify the amount due in arrears through litigation. Since KBRA estimates that approximately 34.0% of the pool consists of properties encumbered by a Fannie or Freddie mortgage or commercial lender, KBRA assumed 66.0% recoveries with respect to each default (i.e. 100% recoveries, albeit delayed 54 months **under the 'AA+' stress** with respect to the non-Fannie and non-Freddie obligors and 0% recoveries for the delinquent PACE Assessment amounts in arrears with respect to properties that were encumbered with a Fannie, Freddie or commercial mortgage).



Scenario 4

Scenario 4 assumed default rates rapidly increased from year 21 through year 25 of the transaction, peaking at 21.00% ('AA+' stress) in the final year. Similar to Scenario 1, KBRA assumed a 54-month time to recovery and an 84% recovery rate under the 'AA+' stress.



Stress Scenario Results

The table below shows the results of KBRA’s stress scenarios and the breakeven analysis related to each scenario. In each scenario, timely interest and all principal was paid on the notes by the maturity date.

'AA+' Stress Scenario Results					
Scenario	Results	Peak Default Rate	Recovery Rate	Peak Severity	Total Severity
Scenario 1	PASS	21.00%	73.00%	5.67%	2.83%
Scenario 2	PASS	21.00%	73.00%	5.67%	4.83%
Scenario 3	PASS	21.00%	66.00%	7.14%	3.56%
Scenario 4	PASS	21.00%	73.00%	5.67%	0.89%

'AA+' Breakeven Scenario Results					
Scenario	Breakeven	Peak Default Rate	Recovery Rate	Peak Severity	Total Severity
Scenario 1	Recovery Rate	21.00%	NA	NA	NA
Scenario 2	Recovery Rate	21.00%	NA	NA	NA
Scenario 3	Default Rate	62.79%	66.00%	21.35%	10.64%
Scenario 4	Recovery Rate	21.00%	NA	NA	NA

Rating Sensitivity and Surveillance

Events that may result in a rating change to the GoodGreen 2018-1 include but are not limited to the following:

- **Deterioration in the transaction’s** asset performance that exceeds historical experience
- Significant regulatory or legislative changes relating to PACE assessments
- **Modifications of the transaction’s structure**

After the initial rating is assigned, KBRA will continue to monitor the transaction until the notes are fully repaid. Ongoing surveillance of the notes is critical to maintaining the value of **the rating**. **KBRA’s surveillance** process involves a periodic review of the following:

- Servicing reports to determine if all payment obligations are met and the transaction is in compliance with all triggers
- Trends in collateral performance relative to historical experience

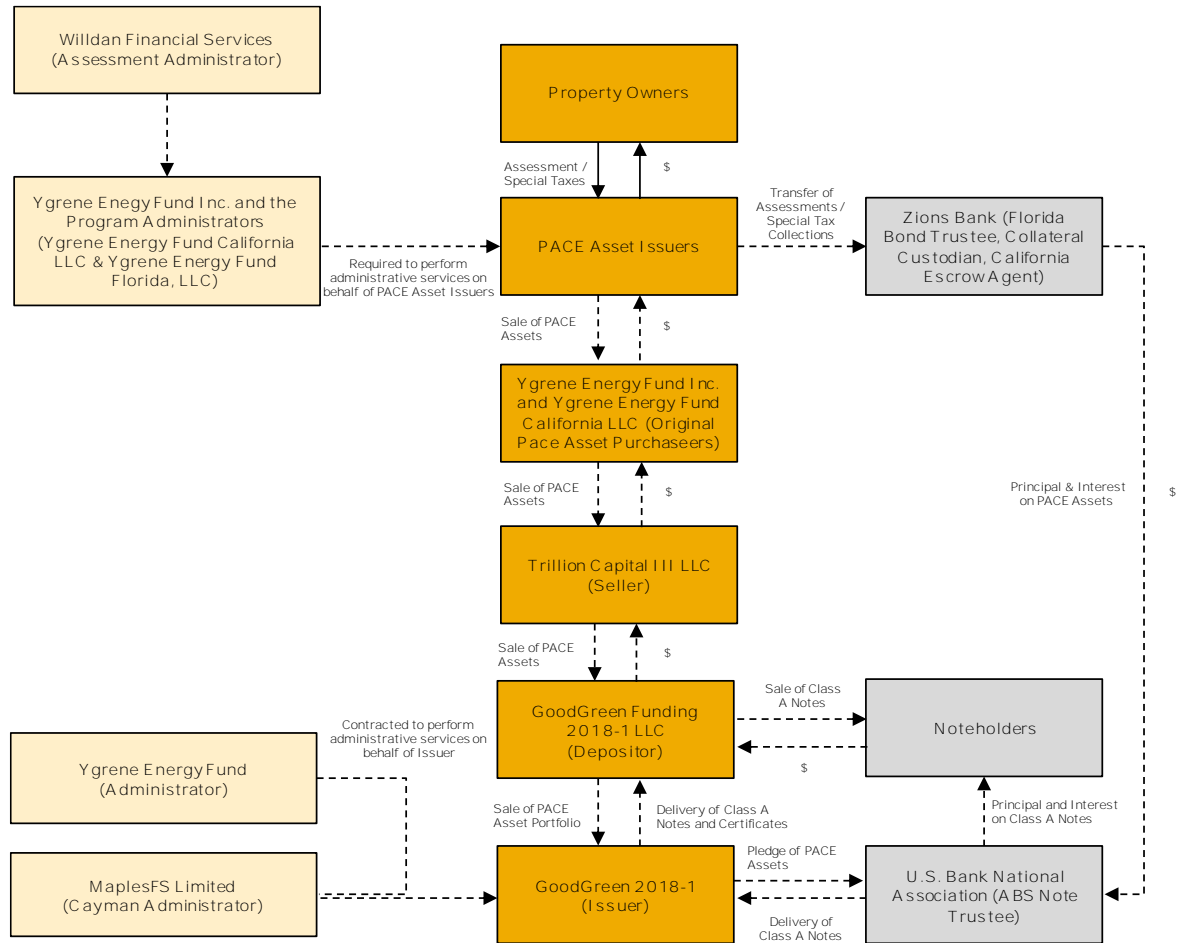
The information gathered during regular surveillance will indicate whether or not a more thorough review is warranted. Additional information may be requested if KBRA believes the credit quality of the transaction has changed from the time of the initial rating assignment or the most recent review. If warranted, KBRA will conduct an **in-depth surveillance review that may result in a change to the transaction’s rating** and publish commentary explaining the analysis.

Transaction Structure

Legal Structure

Transaction Structure

The GoodGreen 2018-1, Series 2018-1 Class A Notes are newly issued asset-backed notes collateralized by a pool of Property Assessed Clean Energy (“PACE”) bonds. The following diagram illustrates the basic securitization structure:



Certain PACE assessments payable under assessment contracts entered into by certain property owners and the California Local Agencies and Green Corridor District have been pledged by California Local Agencies or Green Corridor District, as the case may be, to the California Escrow Agent or Florida Bond Trustee, as the case may be, together the PACE Assets. Certain of these PACE Assets have been purchased by the Original PACE Asset Purchasers, and the Original PACE Asset Purchasers have sold to the Seller and on the closing date the Seller will then sell them to the Depositor, which will then sell them to the Issuer. The Issuer will then pledge the PACE Assets to the ABS Note Trustee.

Priority of
Payments Prior to
an Event of
Default

On each payment date prior to an indenture event of default, an optional or mandatory redemption, or the scheduled maturity, and while no County Reserve Period is in effect, Available Funds and, (i) solely with respect to the October 2018 Semi-Annual Payment Date, funds on deposit in the Interest Reserve Account, (ii) solely with respect to clause (x) below, any Liquidity Reserve Excess Amount and (iii) solely with respect to clauses (i) through (vi), any Liquidity Reserve Draw Amount, will be applied on behalf of the Issuer as follows:

- (i) First, to the payment of Cayman Islands governmental annual return fees and registered office fees and any other taxes then due and payable, and second, pro rata and pari passu, (A) the ABS Note Trustee Fee and any accrued and unpaid ABS Note Trustee Fee with respect to prior Payment Dates plus any Administrative Expenses and Extraordinary Expenses payable to the ABS Note Trustee, and (B) the Cayman Administrator Fee and any accrued and unpaid Cayman Administrator Fees plus any Administrative Expenses and Extraordinary Expenses payable to the Cayman Administrator;
- (ii) the U.S. Administrator Fee and any accrued and unpaid U.S. Administrator Fees;
- (iii) the Custodial Fee and any accrued and unpaid Custodial Fees;
- (iv) the California Escrow Agent Fee and any accrued and unpaid California Escrow Agent Fees;
- (v) the Assessment Administrator Fee, and any accrued and unpaid Assessment Administrator Fees;
- (vi) to the Noteholders, based on the Note Interest due, the Note Interest for such Payment Date;
- (vii) to the Noteholders, the Note Principal Payment for such Payment Date; provided that on any payment date as of which the Notes have been accelerated as a result of an Aggregate Defaulted Assessment Event, all funds available from any liquidity facility are fully drawn and principal payments are made to the Noteholders until the Notes are paid in full;
- (viii) to the Liquidity Reserve Account, the amount necessary to cause the balance in the Liquidity Reserve Account to equal the Liquidity Reserve Account Cap; provided, however, that if the Issuer has provided a Letter of Credit, any portion of the amounts otherwise required to be deposited in the Liquidity Reserve Account pursuant to this clause (ix), without regard to the Liquidity Reserve Account Cap, shall, to the extent required, instead be applied towards the reimbursement of any draws on, and the payment of any fees and other amounts payable with respect to, such Letter of Credit;
- (ix) first, to the ABS Note Trustee, and Cayman Administrator, pro rata and pari passu, second, to the U.S. Administrator, third, to the Collateral Custodian, fourth, to the California Escrow Agent and fifth, to the Assessment Administrator, any remaining Available Funds necessary to fund unreimbursed amounts set forth in the definitions of Administrative Expenses

	<p>and Extraordinary Expenses but not previously paid due to the application of the annual funding limit specified in such definitions; and</p> <p>(x) to the Issuer.</p>
<p>Priority of Payments During a County Event</p>	<p>During any period when a county is either rated below investment grade or becomes a debtor in a proceeding under Chapter 9 of the U.S. Bankruptcy Code, the priority of payment changes. This following waterfall will remain in effect until shortfalls due to a bankruptcy of the county have been repaid in full and either the county is restored to investment grade or certain other events occur.</p> <ul style="list-style-type: none"> (i) First, to the payment of Cayman Islands governmental annual return fees and registered office fees and any other taxes then due and payable, and second, pro rata and pari passu, (A) the ABS Note Trustee Fee and any accrued and unpaid ABS Note Trustee Fee with respect to prior Payment Dates plus any Administrative Expenses and Extraordinary Expenses payable to the ABS Note Trustee, and (B) the Cayman Administrator Fee and any accrued and unpaid Cayman Administrator Fees plus any Administrative Expenses and Extraordinary Expenses payable to the Cayman Administrator; (ii) the U.S. Administrator Fee and any accrued and unpaid U.S. Administrator Fees; (iii) the Custodial Fee and any accrued and unpaid Custodial Fees; (iv) the California Escrow Agent Fee, and any accrued and unpaid California Escrow Agent Fees; (v) to the Assessment Administrator and unpaid Assessment Administrator Fees; (vi) to the Noteholders, based on the Note Interest due, the Note Interest for such Payment Date; (vii) (A) to the Noteholders, the Note Principal Payment for such Payment Date; and (B) from first, any remaining Available Funds up to an amount equal to the County Principal Shortfall Recoveries, second from the County Reserve Account, third, from any remaining Available Funds, and fourth from the Liquidity Reserve Account, the aggregate amount of any County Principal Shortfalls for the Notes, if any (except to the extent previously paid pursuant to this clause (vii)(B)); (viii) to the Liquidity Reserve Account, the amount necessary to cause the balance in the Liquidity Reserve Account to equal the Liquidity Reserve Account Cap; provided, however, that if the Issuer or its affiliates have established a Liquidity Facility or Letter of Credit pursuant to the terms of the Indenture, any portion of the amounts otherwise required to be deposited in the Liquidity Reserve Account pursuant to this clause (viii), without regard to the Liquidity Reserve Account Cap, plus all other remaining amounts shall instead be applied towards payment to any Financial Provider for the reimbursement of any draws on, and the payment of any fees, interest and other amounts payable with respect to, such Liquidity Facility, Letter of Credit and/or as

otherwise set forth in any Credit Agreement or Letter of Credit and Reimbursement Agreement;

- (ix) first, to the ABS Note Trustee, and Cayman Administrator, pro rata and *pari passu*, second, to the U.S. Administrator, third, to the Collateral Custodian, fourth, to the California Escrow Agent and fifth, to the Assessment Administrator, any remaining Available Funds necessary to fund unreimbursed amounts set forth in the definitions of Administrative Expenses and Extraordinary Expenses but not previously paid due to the application of the annual funding limit specified in such definitions;
- (x) to the County Reserve Account, in an amount equal to the product of (x) any remaining Available Funds plus any Liquidity Reserve Excess Amount then on deposit in the Liquidity Reserve Account, multiplied by (y) the County Percentage for such County; and
- (xi) to the Issuer.

Events of Default

The occurrence of any of the following events will be **an “event of default” under the** indenture:

1. failure to pay timely interest;
2. failure to pay the principal balance of the notes at maturity;
3. certain defaults of covenants by the Issuer under the indenture continue unremedied for 60 days after notice;
4. certain bankruptcy events occur with respect to the Issuer and Depositor;
5. failure of the transaction documents to create, attach and perfect a valid first-priority security interest in any material Collateral that, if curable, is not cured within 30 days after notice;
6. certain breaches of Issuer representations or warranties under the indenture;
7. the Issuer becomes subject to U.S. federal or state income tax on a net income basis in excess of \$500,000 in any taxable year;
8. a final non-appealable, uninsured judgment of \$500,000 or more against the Issuer or Depositor that is not cured within 30 days;
9. a statute, rule or regulation becomes effective following the closing date, or there is a final, non-appealable judgment of a court of competent jurisdiction following the closing date, which has a material adverse effect on the validity or enforceability of the PACE Assets, Green Corridor District’s **ability to perform its** payment obligations under the related Indenture, the ABS Note Trustee’s **rights** to receive payments in respect of the PACE Assets or its liens on the participating parcels, or the **Issuer’s ability to make payments (excluding the effect of a** bankruptcy of a county) on the notes;
10. failure to pay any shortfalls due to a **county’s** bankruptcy by the second payment date following the shortfall;
11. certain breaches of the Representations and Warranties Obligor, Seller, Issuer, Depositor, ABS Note Trustee, Owner Trustee, Custodian, California Escrow Agent, Assessment Administrator or Administrator representations, warranties or covenants under the transaction documents that have a material adverse **effect on the Issuer’s ability to make payments on the** notes which continue unremedied for 60 days after notice;
12. an ERISA or tax lien securing the payment of money in excess of \$5,000,000 is rendered against the Issuer; or
13. the Depositor, Owner Trustee, Custodian, Administrator, California Escrow Agent or Assessment Administrator is terminated or resigns, and a replacement is not appointed within 90 days.

Representations
& Warranties

For more detailed information regarding the representations, warranties and enforcement mechanisms available under the transaction documents, please see **KBRA’s** [Representations & Warranties Disclosure](#), which was published on April 19, 2018.

Appendix A: Subsequent PACE Asset Eligibility Criteria

In addition to satisfying the requirements described above, the Initial PACE Assets not included in the Statistical Pool but acquired by the Issuer on the Closing Date, referred to herein as the Additional Pool, and the **Subsequent PACE Assets (together with the Additional Pool, collectively the "Additional PACE Assets")** will also be required to satisfy the requirements described below:

- The weighted average Combined LTV of all the Additional PACE Assets will be less than or equal to 70%.
- The weighted average FICO score of all of the Additional PACE Assets will be greater than or equal to 690.
- The minimum FICO score for any Additional PACE Asset will be 600.
- The weighted average interest rate for all of the Additional PACE Assets will be greater than or equal to 7.00%.
- The weighted average initial term to maturity for all of the Additional PACE Assets will be less than or equal to 19.4 years.
- The weighted average Assessment LTV for all of the Additional PACE Assets will be less than or equal to 10%.
- No Additional PACE Asset may be secured by a commercial property.
- All Additional PACE Assets must be secured by properties located in the State of California or the State of Florida.
- The percentage, by Initial PACE Asset Principal Balance, of Additional PACE Assets secured by properties subject to a mortgage loan either owned by Fannie Mae or owned or insured by Freddie Mac will be less than or equal to 35%.

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Exhibit 10

ABS-15G 1 ygrenenergyfund_abs15g.htm YGRENE ENERGY FUND, INC. ABS-15G

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM ABS-15G
ASSET-BACKED SECURITIZER
REPORT PURSUANT TO SECTION 15G OF
THE SECURITIES EXCHANGE ACT OF 1934**

Check the appropriate box to indicate the filing obligation to which this form is intended to satisfy:

Rule 15Ga-1 under the Exchange Act (17 CFR 240.15Ga-1) for the reporting period
October 1, 2018 to December 31, 2018

Date of Report (Date of earliest event reported) February 13, 2019

Commission File Number of securitizer: 025-02386

Central Index Key Number of securitizer: 0001657718

Ygrene Energy Fund, Inc.

(Exact name of securitizer as specified in its charter)

Tim Condon
(707) 755-2104

Name and telephone number, including area code, of the person to
contact in connection with this filing

Indicate by check mark whether the securitizer has no activity to report for the initial period pursuant to Rule 15Ga-1(c)(1)

Indicate by check mark whether the securitizer has no activity to report for the quarterly period pursuant to Rule 15Ga-1(c)(2)(i)

Indicate by check mark whether the securitizer has no activity to report for the annual period pursuant to Rule 15Ga-1(c)(2)(ii)

Rule 15Ga-2 under the Exchange Act (17 CFR 240.15Ga-2)

Central Index Key Number of depositor:

Central Index Key Number of issuing entity (if applicable):

Central Index Key Number of underwriter (if applicable):

Name and telephone number, including area code, of the person to

contact in connection with this filing

INFORMATION TO BE INCLUDED IN THE REPORT

PART I: REPRESENTATION AND WARRANTY INFORMATION

Item 1.02 Periodic Filing of Rule 15Ga-1 Representations and Warranties Disclosure

Ygrene Energy Fund, Inc. (the “Securitizer”) hereby makes its quarterly filing to disclose repurchase activity during the period of the fourth calendar quarter of 2018, ending December 31, 2018.

Two (2) property-assessed clean energy assets securitized and held by GoodGreen 2017-1 Trust (the “2017-1 PACE Assets”) were the subject of a repurchase under the 2017-1 Representations and Warranties Agreement, dated as of April 28, 2017 (the “2017-1 Representations and Warranties Agreement”), by and among the Securitizer, as representations and warranties obligor, GoodGreen Funding 2017-1 LLC, as depositor, GoodGreen 2017-1 Trust, as issuer (the “2017-1 Issuer”), and U.S. Bank National Association (“U.S. Bank”), as ABS note trustee, pursuant to the 2017-1 Indenture, dated as of April 28, 2017 (the “2017-1 Indenture”), by and among the 2017-1 Issuer, U.S. Bank, as ABS note trustee, bank and paying agent, and the Securitizer, as administrator.

Four (4) property-assessed clean energy assets securitized and held by GoodGreen 2018-1 (the “2018-1 PACE Assets”) were the subject of a repurchase under the 2018-1 Representations and Warranties Agreement, dated as of April 27, 2018 (the “2018-1 Representations and Warranties Agreement”), by and among the Securitizer, as representations and warranties obligor, GoodGreen Funding 2018-1 LLC, as depositor, GoodGreen 2018-1, as issuer (the “2018-1 Issuer”), and U.S. Bank, as ABS note trustee, pursuant to the 2018-1 Indenture, dated as of April 27, 2018 (the “2018-1 Indenture”), by and among the 2018-1 Issuer, U.S. Bank, as ABS note trustee, bank and paying agent, and the Securitizer, as U.S. administrator.

The Securitizer repurchased the 2017-1 PACE Assets and the 2018-1 PACE Assets in October, November and December 2018.

The disclosures required by Rule 15Ga-1(c)(2) (17 CFR 240.15Ga-1(c)(2)) are attached as an Exhibit to this Form ABS-15G. Please see the Exhibit Index for the related information.

EXHIBIT INDEX

- 99.1 Table of all assets securitized by the Securitizer that were the subject of a repurchase request with respect to the Securitizer during the reporting period.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the reporting entity has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

YGRENE ENERGY FUND, LP
(Securitizer)

By: /s/ Tim Condon

Name: Tim Condon

Title: Treasurer & CFO

(Senior Officer in Charge)

Date: February 13, 2019

Exhibit 11

WRCOG PACE Funding Program ASSESSMENT CONTRACT (RESIDENTIAL)

This Assessment Contract (this "Contract") is made and entered into as of this [Date], by and between the Western Riverside Council of Governments, a joint exercise of powers authority (the "Authority"), and the record owner(s), [Owner 1][Owner 2], (the "Property Owner"), of the fee title to the real property identified on Exhibit A (the "Property").

RECITALS

WHEREAS, the Authority is a joint exercise of powers authority the members of which include numerous cities within the County of Riverside (the "County") and the County; and

WHEREAS, the Authority has established its Energy Efficiency and Water Conservation Program for Western Riverside County (the "WRCOG Program") to allow the financing of certain renewable energy, energy efficiency and water efficiency improvements and electric vehicle charging infrastructure 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 Sections 8500 and following) (the "1915 Act") upon the security of the unpaid contractual assessments; and

WHEREAS, the Authority has authorized PACE Funding Group, LLC ("PACEfunding") to serve as a program administrator for the WRCOG Program (the "WRCOG PACEfunding Program"); and

WHEREAS, Chapter 29 provides that assessments may be levied under its provisions 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; and

WHEREAS, the Authority has conducted the proceedings required by Chapter 29 with respect to the territory within the boundaries of cities within the County or certain unincorporated areas of the County identified in Exhibit A and which has elected to participate in the WRCOG PACE Funding Program (the "Participating Entity"); and

WHEREAS, the Property is located in the boundaries of the Participating Entity, and the Participating Entity has consented to (i) owners of property within its jurisdiction (the "Participating Property Owners") participating in the PACE Funding Program and (ii) the Authority conducting assessment proceedings under Chapter 29 and issuing bonds under the 1915 Act to finance the Authorized Improvements; and

WHEREAS, pursuant to Chapter 29, the Authority and the Property Owner wish to enter into a contract pursuant to which the Property Owner would agree to pay an assessment in order to finance the installation on the Property of the Authorized Improvements described in **Exhibit A** (the "Improvements") and the Authority would 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 the installation of the Improvements identified on Exhibit A on the Property. The Authority will not finance installation of Improvements other than those listed on Exhibit A.

Section 2. The Property. This Contract relates to the real property identified on Exhibit A. The Property Owner has supplied to the Authority current evidence of its ownership of fee title to the Property and possesses all legal authority necessary to execute this Contract on behalf of the Property Owner.

Section 3. Contract to Pay Assessment: Prepayment

(a) Payment of Assessment. The Property Owner hereby freely and willingly agrees to pay the "Assessment," the amount of which shall be determined as provided in Section 3(b) below. The Authority will not provide financing in an amount in excess of the Assessment.

Except as otherwise set forth in this Contract, the Assessment will be paid in the installments set forth in Exhibit B.

Interest will accrue on the Assessment at the interest rate set forth on Exhibit B beginning on the date on which the Authority issues bonds to finance the installation of the Improvements.

(b) The Assessment. The Assessment shall equal the total amount disbursed by the Authority to pay for (i) the Improvements identified on Exhibit A, plus (ii) all costs, fees and interest associated therewith as reflected on Exhibit B, which total amount is also known as the Actual Disbursement Amount (defined below). In no event, however, will the amount disbursed by the Authority exceed the Maximum Disbursement Amount set forth in Exhibit B.

Exhibit B sets forth an Estimated Disbursement Amount, which is based upon the price of the initially selected Improvements identified in Exhibit A, which in turn provides the basis for calculating the associated costs, fees and interest appearing on Exhibit B.

Upon receipt of the fully executed and final Completion Certificate (as described in The WR COG Energy Efficiency and Water Conservation Program for Western Riverside County Residential PACE Funding Program Handbook referred to herein as the "Handbook") the Authority shall calculate and disburse payments to those entitled to receive them (the "Actual Disbursement Amount") hereunder. If at any time after executing this Contract but before the Authority pays the Actual Disbursement Amount, the Property Owner changes the Improvements to be installed from those originally appearing on Exhibit A, but (i) the improvement categories and the improvement types do not change from those originally selected, and (ii) the "Revised Estimated Disbursement Amount" (which means the amount anticipated to be the Actual Disbursement Amount based on the changed Improvements) is less than or equal to the Estimated Disbursement Amount, the parties do not need to execute the Addendum described in Section 4 below, and this Contract shall remain unmodified and the Assessment shall be calculated as described above in this Section 3(b). If, however, any such change meets the provisions of Section 4 below, then an Addendum will be required.

(c) Administrative Expenses. The Property Owner hereby acknowledges and agrees that the Authority may add amounts to an annual installment of the Assessment in order to pay for the costs of collecting the Assessment (the "Additional Administrative Assessment").

(d) Prepayment of the Assessment. The Assessment may be prepaid, in whole or in any amount of at least \$2,500, at any time upon the payment of (i) the whole or a portion of the unpaid principal component of the Assessment, (ii) 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.

(e) Absolute Obligation. The Property Owner hereby agrees that the Assessment will not be subject to reduction, offset or credit of any kind in the event that the bond or bonds secured thereby are refunded or for any other reason.

Section 4. Addendum. The parties agree to execute an addendum to this Contract (the "Addendum") if at any time after executing this Contract but before the Actual Disbursement Amount is released for disbursement: (i) the Improvement(s) change from those appearing in Exhibit A; (ii) the Revised Estimated Disbursement Amount is greater than the Estimated Disbursement Amount but does not exceed the Maximum Disbursement Amount; or (iii) it becomes necessary to correct the name, capacity, title, party or clerical errors identified therein. In any such case, the Authority shall prepare an Addendum: (i) setting forth an accurate description of the Improvements installed; (ii) confirming that the Assessment does not exceed the Maximum Disbursement Amount; and (iii) as necessary, correcting the names, capacities, titles, parties and other clerical corrections appearing in the original documentation comprising this Contract. The Authority shall prepare and provide such Addendum to the Property Owner for review and signature. Once signed by the Property Owner, the Authority shall execute the Addendum, which shall become part of, and be incorporated into, this Contract as if it originally appeared therein.

Section 5. Collection of Assessment: Lien. The Assessment, the interest and penalties thereon as a result of a delinquency in the payment of any installment of the Assessment, and the Additional Administrative Assessment shall constitute a lien against the Property until they are paid and shall be collected and shall have the lien priority as set forth in Chapter 29.

The Property Owner acknowledges that if any Assessment installment is not paid when due, the Authority has the right to have such delinquent Assessment 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, if bonds are sold to finance the Improvements, the Authority may obligate itself, through a covenant with the owners of such bonds, to exercise its judicial foreclosure rights with respect to delinquent Assessment installments under circumstances specified in such covenant.

Section 6. Financing of the Improvements.

(a) Contract to Finance Improvements. The Authority hereby agrees to use the Assessment, together with the Additional Administrative Assessment, to finance the Improvements, including the payment of the Authority's reasonable costs of administering the WRCOG PACE Funding Program, subject to the Property Owner's compliance with the conditions for such financing established by the Authority.

(b) Assessment Installments. The Property Owner agrees to the issuance of bonds by the Authority to finance the installation of the Improvements. The interest rate used to calculate the Assessment installments set forth on Exhibit B is identified on Exhibit B. If the Authority determines in its reasonable discretion that the Assessment installments may be reduced because the applicable interest



rate on the bonds issued to finance installation of the Improvements is lower than the interest rate specified in Exhibit B, or if the cost of the Improvements, as shown in a final invoice provided to the Authority by the Property Owner, is less than the amount shown on Exhibit B, then, concurrently with the disbursement of funds to the Property Owner, the Authority may provide the Property Owner with a schedule of annual Assessment installments that provides for annual installments that are less than those set forth in the attached Exhibit B.

Section 7. Multiple Contractors and Improvements. Notwithstanding anything to the contrary in this Contract, if the Property Owner engages one or more contractors (each, a "Contractor," which term includes any designee thereof) to install more than one Improvement, the installation of which Improvements will not be completed simultaneously, the Property Owner and the Authority acknowledge that either (a) funds may be advanced by PACE Funding, as Program administrator, for payments of each Contractor upon receipt of a Completion Certificate executed by a Contractor and the Property Owner acknowledging installation of the applicable improvement(s) (each a "Completion Certificate") or (b) the Authority shall cause bonds to be issued and sold to the investor the proceeds of which will be held in a project fund and upon receipt of a Completion Certificate from the Property Owner and the Contractor acknowledging installation of the Improvements, the Authority shall cause the municipal trustee for the Program to disburse amount(s) from the project fund reflected in the Completion Certificate to the applicable Contractor who installed such Improvements.

Section 8. Term: Contract Runs with the Land: Subdivision.

(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) In the event the Property is subdivided while the Assessment remains unpaid, the Assessment will be assigned to the newly-created parcel on which the Improvements are located. If the Improvements no longer exist, the Assessment will be assigned to each of the newly-created parcels on a per-acre basis, unless the Authority, in its sole discretion, determines that the Assessment should be allocated in an alternate manner.

Section 9. Recordation of Documents. The Property Owner hereby authorizes and directs the Authority to 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 10. Notice. To the extent required by applicable law, the Property Owner hereby agrees to provide written notice to any subsequent purchaser of the Property, including any subdivision of the Property, of the obligation to pay the Assessment pursuant to this Contract.

Section 11. Waivers, Acknowledgment and Contract. Because this Contract reflects the Property Owner's free and willing consent to pay the Assessment following a noticed public hearing, 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.



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 PACE Funding 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 or maintained as expected.

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 of the installation of the Improvements, and that the Authority and the Participating Entity have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of the Improvements. Based upon the foregoing, 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, 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, attorneys, representatives and successors and assigns of the Authority or the Participating Entity.

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, the Property Owner agrees to waive the provisions of Section 1542 in connection with the matters that are the subject of the foregoing waivers and releases.

[Owner 1][Owner 2] Initials: _____
Initials:

_____ Initials: _____

Initials:

The waivers, releases and agreements set forth in this Section 11 shall survive termination of this Contract.

Section 12. Indemnification. The Property Owner agrees to indemnify, defend, protect, and hold harmless the Authority, the Participating Entity and any and all agents, employees, 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 PACE Funding 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.

The provisions of this Section 12 shall survive the termination of this Contract.

Section 13. 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 14. Carbon Credits. The Property Owner hereby agrees that any carbon credits attributable to the Improvements shall be owned by the Authority.

Section 15. PACE Funding Program Application. The Property Owner hereby represents and warrants to the Authority that the information set forth in the PACE Funding 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 PACE Funding 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 16. Amendment. Except as set forth in Section 3(b) or as provided for in Exhibit A pertaining to a fully executed and final Completion Certificate, this Contract may be modified only by an Addendum (as provided in Section 4) or other written agreement of the Authority and the Property Owner.

Section 17. 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 obligation to pay the Assessment set forth in this Contract is an obligation of the Property and no agreement or action of the Property Owner will 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.

Section 18. 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 19. 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 20. Corrective Instruments. The Authority and the Property Owner agree that they will, 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 21. Governing Law: Venue. This Contract is governed by and construed in accordance with the laws of the State of California. Any legal action brought under this Contract must be instituted in the Superior Court of the County of Riverside, State of California.

Section 22. 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 23. Monitoring and Recording of Telephone Calls. The PACE Funding Program may monitor and/or record telephone calls for security and customer service purposes. By agreeing to this Assessment Contract the Property Owner agrees to have their telephone calls with the PACE Funding Program monitored and/or recorded.

Section 24. Contract Documents. Property Owner understands and acknowledges that the entire agreement between Property Owner and WRCOG includes each and every document specified in the List of Documents contained in Exhibit B to this Contract (together, the "Contract Documents").

By executing this Contract Property Owner acknowledges and agrees that:

- a. 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 to WRCOG that the Property Owner may have regarding such Contract Documents.
- b. Property Owner has reviewed, understands and agrees to each and every additional requirement and term contained in Appendix B to the PACE Funding Residential Program Handbook (the "Handbook").
- c. Property Owner has reviewed, understands, agrees to and affirms each and every representation and warranty contained in the Property Owner's application and the Handbook.

Prior to executing this Assessment Contract I have read and understand (a) the Property Owner's Acknowledgments and Disclosures contained in (a) the Application, (b) this Assessment Contract, (c) the Privacy Notice and (d) the Handbook.

Owner(s) must execute and return this Contract to WRCOG at the address set forth in the "Notice Information" section of Exhibit A hereto so that it is received by WRCOG not later than 08/13/2015. If the Property Owner fails to return the signed Assessment Contract to WRCOG by the indicated date the PACE Funding Program reserves the right to require the Property Owner to enter into a new Contract. All signatures of the Property Owner must be notarized by a duly licensed notary unless the Property Owner has previously successfully completed the identity verification process approved by WRCOG.

[NAME]
[ID No.]

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.

Owner 1:	
[Owner 1][Owner 2], Signature _____	
Date _____ Month/Day/Year	Identity Verification Code: ID verification complete _____

WRCOG: Executive Director and/or his or her designee:

Name (Please Print)

WRCOG Signature

Date of Execution by WRCOG

EXHIBIT A

DESCRIPTION OF PROPERTY, DESCRIPTION OF THE PRODUCTS, AND NOTICE INFORMATION

Description of Property:

Property Owner Name(s): [Owner 1] [Owner 2]
Property Address: [Property Address]
APN: [APN]
Participating Entity: [City] or "Unincorporated"
County: Riverside

Description of Products:

The Products include the following:

PRODUCT#1
Product Category Type:
PRODUCT#2
Product Category Type:

Or similar energy efficient product which is allowed under the PACE Funding Program Guide.

All terms set forth in the fully executed and final Completion Certificate shall supersede and take precedence over any term in this Exhibit A that conflicts with, is not covered by, or is otherwise contrary to, the terms set forth in such Completion Certificate, and such Completion Certificate shall become part of, and be incorporated into, this Exhibit A as if they originally appeared therein.

Notice Information:

Western Riverside Council of Governments
Attn: WRCOG PACE Funding Program
Manager Riverside County Administrative
Center Annex
4080 Lemon St, 3rd Floor, MS1032
Riverside, CA 92501-3609

[Owner 1][Owner 2]
[Address]

EXHIBITS

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

List of Contract Documents:

The Contract shall consist of the following documents:

- This Contract and the exhibits hereto;
- Any Addendum entered into pursuant to Section 4 hereto;
- The Application;
- The Right to Cancel;
- The Completion Certificate or, pursuant to Section 7, each applicable Completion Certificate;
- The Assessment Cost and Payment Summary;
- The Notice of Assessment;
- The Payment of Contractual Assessment Required;
- The WRCOG Energy Efficiency and Water Conservation Program for Western Riverside County Residential PACE Funding Program Handbook, Version 2.4, dated January 2015; and
- The PACE Funding Program website located at <https://www.heroprogram.com>.

Disbursement Amounts:



The "Maximum Disbursement Amount" under this Contract is [Maximum Credit Approval amount], which means that WRCOG shall not disburse any amount that exceeds this figure.

The "Estimated Disbursement Amount" under this Contract is [Project Cost], which was based upon the Improvements and pricing set forth on the table below in this Exhibit B. The Estimated Disbursement Date is [Date], which date is used in the table below.

Schedule of Estimated Maximum Annual Assessment Installments:

The schedule of the estimated maximum Annual Assessment Installments is based on the following assumptions:

1. WRCOG disburses the Estimated Disbursement Amount to Owner.
2. Interest totaling a maximum of [CapInterest] will accumulate until your first Payment. That amount will be added to Owner's Estimated Disbursement Amount.
3. WRCOG disburses to Owner on the Estimated Disbursement Date.
4. The Assessment Interest Rate is [Interest Rate] %.
5. The Annual Percentage Rate (APR) of your assessment is [APR] %. APR is the annual interest rate you will actually pay on your assessment, including fees required in order to participate in the PACE Funding Program.
6. The total administrative fees, recording fees and annual assessment added to your assessment is \$[TotalFees].

[NAME] 
[ID No.] 

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

1. What do I need to do to get started?

1. Register at herofinancing.com
2. Print, sign, and return a [Contractor Participation Agreement](#) and a W-9 form.
3. Schedule a Contractor orientation session:
 - a. Call – 855-HERO-411 (855-437-6411)
 - b. Online – herofinancing.com/ContractorWorkshop

2. What if my customers or I have questions about HERO?

You can contact us by phone, chat, or email:

1. HERO Hotline – 855-HERO-411 (855-437-6411)
2. Online Chat – click “Chat Now” at the top of any page of herofinancing.com
3. Email – contractor@herofinancing.com or wrcog@herofinancing.com

Our hours are M-F 8am – 9pm and Sat 10am – 6pm. HERO Program Representatives are available to you and your customers. We can provide assistance through the sales and application process.

3. Why does Western Riverside County offer the Program?

The HERO Program provides many benefits to property owners and the local economy, including:

1. Encourages the use of energy efficient products by making them more affordable
2. Helps property owners save money on energy bills
3. Helps the county meet environmental standards and reduces carbon emissions
4. Helps stimulate the local economy by providing work for local contractors
5. Increases property values.

4. Why should I be interested in offering HERO Financing?

- Energy efficient products are often more expensive. HERO Financing’s low rates, long term financing, and tax benefits provide great incentives for property owners to purchase more expensive products at similar net costs to less efficient products.
- No Credit Score Requirements – HERO is available to more property owners than other financing offerings.
- In most cases, HERO Financing transfers with the property when sold, which takes the investment risk out of installing energy efficient products.
- Homeowner approval can take less than two minutes!

5. What does HERO cost the contractor?

There is NO cost to the contractor. Unlike most consumer financing programs, HERO does not charge the contractor any points or fees.

6. Will a HERO representative come out to explain the Program to my customer?

Our training program can include onsite visits. Please inquire with your Account Representative.

7. How do I explain the HERO Program?

“You are very fortunate because of where you live. Western Riverside County really wants you to be energy efficient, so they’ve made low cost financing available through their HERO Program.”

“Because it’s through the County, payments are made with property taxes, and interest may be tax deductible and transferable if the property is sold.”

“It takes less than two minutes to apply and get approved. Let’s call the county to see if your property qualifies!”

8. How do I know if my customers will qualify for HERO Financing?

You can check their eligibility with our Know-Before-You-Go database tool. Simply type in their address and you'll have a strong indication of their likelihood to be approved (i.e., up to a 90% accuracy). Details on the eligibility criteria can be viewed online at herofinancing.com/EligibilityCriteria

9. Why are payments made with property taxes?

HERO is unique because it enables the County to put a new assessment on a property similar to assessments that are put on properties for Mello Roos or other improvements.

Once this assessment is on a property it enables the improvement to become part of the obligation of the property to the County. This is why the balance of the financing can be passed on to a new property owner if the property is sold (in most cases).

Another benefit is this also qualifies the interest paid on the financing to be tax deductible.

10. Why is there interest on the Financing if this is a government program?

The Program is managed by the Western Riverside Council of Governments, but the funds are provided by a private lender. Western Riverside Council of Governments has negotiated very favorable interest rates and flexible terms to offer property owners an attractive financing option.

11. What is the application process?

Property owners can apply online at herofinancing.com/Apply or over the phone at 855-HERO-411.

12. What is required if the property is held in a trust?

At the time of Application, the HERO Program needs the Trust Documents that include the following information:

- **The Name of the Trust** – We match this to the trust that holds title of the property.
- **The Names of all the Trustees** – We match these to the individuals on the Application (all active trustees must be included on the application).
- **The Trustee's Power to Revoke the Trust** – Trusts are either revocable or irrevocable, but irrevocable trusts have more stringent underwriting requirements that we must account for when dealing with the trust; so we must confirm the revocability, and review irrevocable trust in greater detail.
- **The Trustee's Power to Borrow Money** – We must confirm this power in order to offer HERO Financing to the trust/trustee. If the trust does not include the power to borrower, then we cannot lend on the property while it is owned by the trust.

13. What is the process for getting paid?

Once work is complete, the contractor and customer sign a Completion Certificate. The deadline to submit a Completion Certificate and all required attachments is Tuesday 12 noon, which will allow you to receive payment Friday of the following week.

14. Are HERO marketing materials available?

Yes, within your contractor portal, you can order co-branded marketing materials or print your own HERO marketing materials. Additionally, we have a dedicated marketing team that works with contractor partners.

15. Is there a fee for marketing materials?

Some materials are provided at no cost and some custom materials are provided at cost to contractor partners.

Exhibit 13

RESIDENTIAL SOLAR PHOTOVOLTAIC SYSTEM APPLICATION

This Sales and Installation Agreement (Agreement) made and entered into on 3/1/16, is the agreement between Group Solar U.S.A. (GSU), located at 3001 Cedora Terrace, Sebring FL 33870.

And [Redacted] residing at [Redacted] Miami Shores FL, 33168 (PURCHASER) for the sales, design and installation of a Solar Photovoltaic System (SPS) as described herein.

Purchaser Name: [Redacted]
 Installation Site Address (ISA): [Redacted] Miami Shores, FL, 33168
 Purchaser Phone Number: [Redacted]

Number/Amount	Description of Significant Equipment
Meter No. For Site:	# <u>07508-90444</u>
<u>2.70</u> kW	A turnkey grid connected Solar Photovoltaic System consisting of: ___ SunEdison Brand 270 W monocrystalline solar panels; Inverter; Racking, Flashing, AC Disconnect switch and all hardware and labor necessary for the installation of the Solar Photovoltaic System.
<input type="checkbox"/> Twenty Five (25) Years	Manufacturer warranty from SunEdison covering the solar panels (modules).
<input type="checkbox"/> Twenty Five (25) Years	Manufacturer warranty from Enphase Energy covering the inverters.
<input checked="" type="checkbox"/> Twenty Five (25) Years	Manufacturer warranty from SunEdison covering the SPS.

Contract Price: \$ <u>19,990</u>	Approximate Time Line
Down Payment: \$ <u>0</u>	Start Date: <u>4/1/16</u>
	Completion Date: <u>4/7/16</u>
	State License: CVC56809

Schedule of Payments:

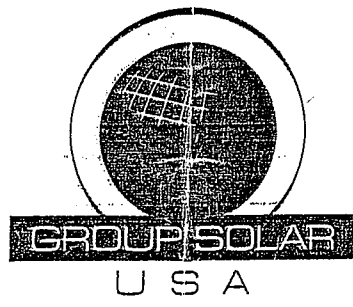
Financing by: <u>Green</u>	
Total System Financing: \$ <u>19,990</u>	Numbers of Monthly Payment: <u>240</u>
Estimated Monthly Payment: \$ <u>826.98</u>	<u>7.53</u> % APR

SEE ADDITIONAL PAGE HEREOF FOR ADDITIONAL TERMS, CONDITIONS AND COVENANTS WHICH FORM A PART OF THIS AGREEMENT

Purchaser [Redacted]
 Name: [Redacted]
 Date: 03-01-16
 Name: _____
 Date: _____

Group Solar U.S.A.
 Name: [Redacted]
 Date: 3/1/16

YOU MAY TERMINATE THIS AGREEMENT IF NOT APPROVED AT NO COST AT ANY TIME PRIOR TO COMMENCEMENT OF CONSTRUCTION ON YOUR HOME



Scope of the Work: GSU will survey the ISA and design an appropriate SPS. GSU will obtain all permits necessary for the installation of the SPS and install the SPS system as per the terms of this Agreement.

Terms and Conditions

1. **Binding Effect:** The binding effect of this Agreement is subject to execution by an authorized officer of GSU. If Purchaser is not approved by the Clean Energy Program and/or if the permits are not approved, the application will be withdrawn without any penalties.

2. **Equipment:** GSU agrees to sell and Purchaser agrees to purchase the equipment from GSU, at the sale price set forth on page one (1) of this document and subject to the terms and conditions of this Agreement. The equipment can be altered, upon agreement by the parties, and, if necessary, as determined by GSU, or upon GSU's inability to obtain the specific brand of equipment listed.

3. **Payment and Rebates:** The total sale price is payable as specified on page one (1) of this Agreement.

a. Rebate and incentive calculations provided by GSU are estimates based on assumptions that may not be applicable based on the circumstances specific to the Purchaser's SPS project.

b. Actual rebates and incentives are variable as eligibility requirements, GSU will use good faith reasonable efforts to help Purchaser secure applicable rebates and incentives, but GSU shall have no financial obligation to Purchaser regarding actual rebate and incentive amounts received.

c. GSU is not responsible for delays in work due to the actions of any permitting or regulatory agencies or their employees.

d. Purchaser shall be responsible for any taxes now or hereafter imposed.

4. **Shipment:** Once GSU has obtained all approvals and permits necessary to commence installation and the Equipment is ready to be shipped, GSU shall advise Purchaser of estimated date of Equipment arrival. GSU may store the Equipment at Purchaser's Installation site. GSU's obligations, as described in this Agreement, may be subject to delays incident to labor difficulties, fires, casualties and accidents; acts of G-D, acts of war or the public enemy; transportation difficulties; governmental interference or regulations; inability to obtain equipment, material or qualified labor sufficient to fill its orders in a timely manner; and other causes beyond GSU's control. All such incidents will be considered Force Majeure events.

5. **Applications, Approvals, Credits and Grants:** GSU will complete all forms required for the approval of Purchaser's SREC Registration Program (SRP), Utility Inter-connection. Purchaser must submit all information required for completion of these forms in a timely manner, so as not to cause unnecessary delays.

Installation:

a. Purchaser is responsible for providing a safe work environment and timely access to the areas upon which the SPS is to be installed.

b. In the event that GSU, in its sole discretion, determines that the ISA is not amenable to the installation of the SPS, GSU may terminate this Agreement.

c. Purchaser agrees to provide, at no charge, storage of and access to the SPS equipment.

7. **Property Conditions:** Purchaser is responsible for the structural integrity of the location where the SPS is installed. GSU is not responsible or liable for any known or unknown property conditions, including damage to old, deteriorated or improperly installed sub-roofing, roof covering or supports, siding, exterior covering/painting or any other non-visible conditions at the installation site. GSU is not responsible and bears no liability for the malfunctioning of existing electrical equipment at the Purchaser's property, including but not limited to the main electrical service panel, any major electrical devices, or any other fuses or similar devices.

8. **Title & Risk of Loss:** GSU warrants that upon completion of the SPS installation, free and clear title to the Equipment shall pass to Purchaser.

9. **ADDITIONAL RIGHTS TO CANCEL: YOU MAY CANCEL THIS AGREEMENT AT ANY TIME PRIOR TO COMMENCEMENT OF CONSTRUCTION ON YOUR HOME.**

10. **GSU's Remedies Upon Purchaser's Breach:** Without limiting any of GSU's other rights and remedies upon breach by Purchaser, GSU shall have the right to:

remove any project materials or equipment and to be reimbursed for all costs incurred by GSU.

11. **Group Solar USA Insurance:** PC907842 - PCS224455

12. **Media:** Purchaser grants GSU the right to publicly use, display, share or advertise photographic images and project details and any other information related to Purchaser's SPS, unless Purchaser objects to same in writing.

13. **Dispute Resolution:** All disputes arising out of or relating to this Agreement shall be resolved by binding Arbitration in accordance with the rules of the American Arbitration Association (AAA). Arbitrators shall be selected and agreed to by both parties, provided that if the parties cannot agree upon the selection of the Arbitrator(s) the rules of AAA with respect to selection of arbitrators shall govern.

The costs of arbitration are to be divided equally by the parties except that each party is to bear its own expenses for its witnesses, evidence and attorneys. The decision of the arbitrator shall be final and binding and enforceable in any court of competent jurisdiction. Arbitration replaces the right to go to court, including the right to a jury and the right to participate in a class action or similar proceeding. In arbitration, a dispute is resolved by an arbitrator instead of a judge or jury. We agree that any dispute that arises between GSU and Purchaser shall be resolved exclusively by arbitration.

14. Warranties:

a. **LIMITED WARRANTY**

i. The SPS is warranted under the terms as set forth in this agreement and there are no other representations or warranties, express or implied, as to the merchantability, fitness for any purpose, condition, design, capacity, suitability or performance of the project or its installation.

ii. GSU has no responsibility with manufacturer warranties other than to transfer them to purchaser.

iii. GSU warrants the installation of the SPS against defects in workmanship during the first 5 years. This warranty does not cover any force majeure events, damage normally covered by homeowners insurance, power outages, normal wear and tear of the roof, roof shingle failure, sub-structure failure siding or electrical system failure. GSU specifically disclaims any guaranteed output of the SPS, including any claims made orally or in writing by GSU, its agents or subcontractors.

b. **LIMITATION OF LIABILITY**


i. GSU and Purchaser agree there are no consequential damages. Each party's liability to the other under this agreement shall be limited to direct, actual damages only. GSU and Purchaser agree that in no event shall either party be liable to the other for consequential, incidental, punitive, exemplary, special or indirect damages.

ii. **Actual Damages. Actual liability for damages by either GSU will not exceed \$2,000,000, including without limitation damages to purchaser's home or property during the installation of the project or resulting from the project.**

iii. **No Express or Implied Warranties.** Except as expressed in the other parts of this agreement, GSU disclaims and Purchaser waives all express or implied warranties including without limitation any implied warranties of merchantability and fitness for a particular purpose. GSU will not be liable to purchaser under this warranty if an alleged defect in any work or equipment was caused by purchaser's or any third person's [for whom GSU is not responsible] misuse, neglect, unauthorized attempts to repair, or any other cause beyond the range of intended use, or by accident, fire, lightning or other hazard.

15. **Indemnification:** Purchaser shall indemnify and hold GSU and GSU's affiliates harmless from and against any and all losses, expenses and damages arising out of or incident to willful or negligent acts or omissions of the Purchaser.

16. **ENTIRE AGREEMENT:** This Agreement contains the entire understanding of the parties with respect to the subject matter contained herein and supersedes all negotiations, prior discussions and preliminary agreements made prior to this dated Agreement. Any modifications, changes or amendments shall be made in writing and signed by an authorized representative of both parties. This agreement shall be deemed to have been made and shall be governed by and construed in accordance with the laws of the State of Jersey without giving effect to the conflict of laws principle.

Purchaser Initials: 

NOTICE OF RIGHT TO CANCEL

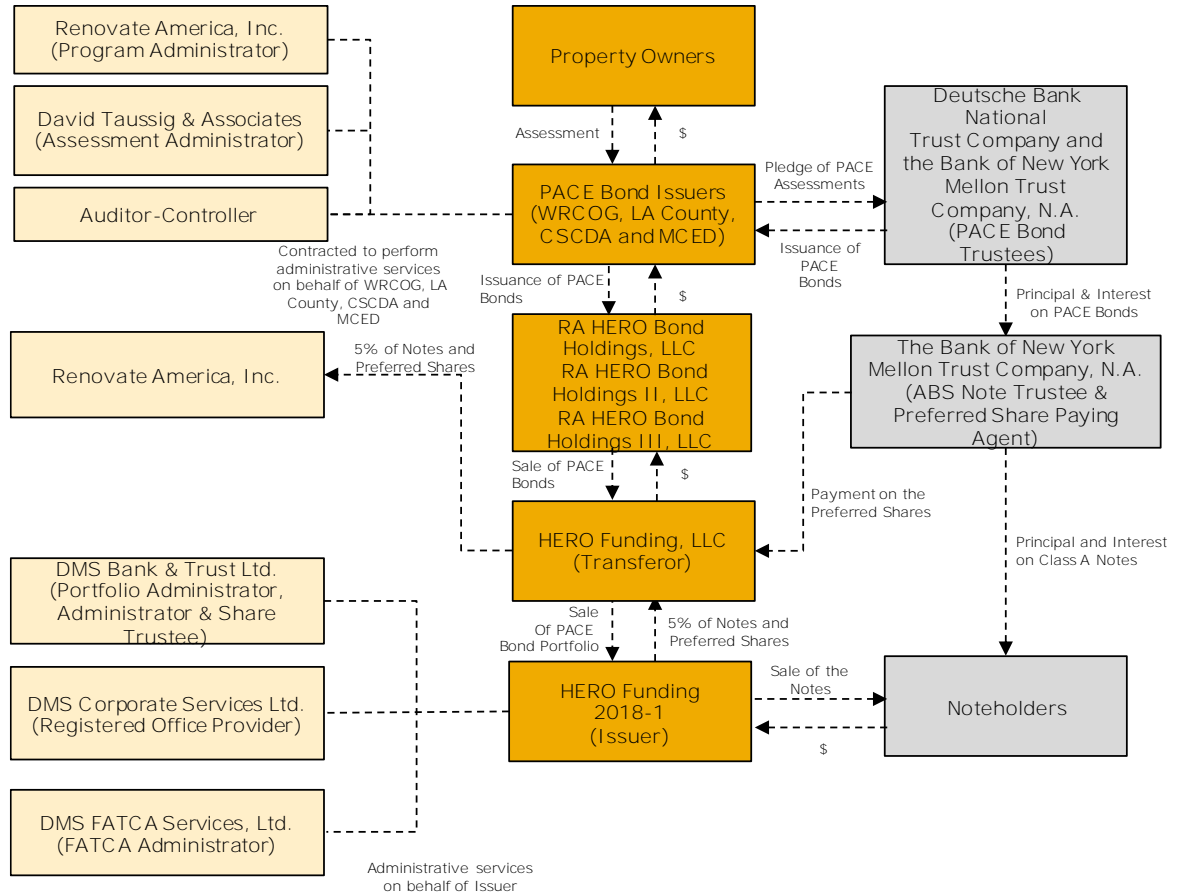
YOU HAVE THE RIGHT TO CANCEL THIS AGREEMENT AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAYS AFTER YOU SIGN THIS AGREEMENT. CANCELLATION SHOULD BE COMMUNICATED IN WRITING OR EMAIL TO GROUP SOLAR USA TO 3001 CEDORA TERRACE EBRING FL 33870.

Transaction Structure

Legal Structure

Transaction Structure

The HERO Funding Class A Notes Series 2018-1 are newly issued asset-backed notes collateralized by a pool of Property Assessed Clean Energy ("PACE") bonds. The following diagram illustrates the basic securitization structure:

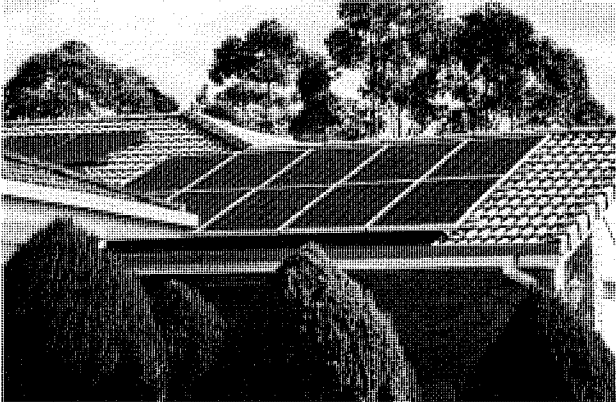
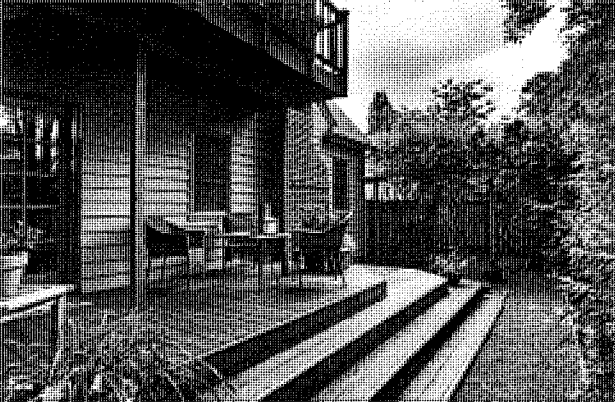


Certain PACE assessments payable under assessment contracts have been pledged by WRCOG, LA County, CSCDA or MCED, as the case may be, to a PACE Bond Trustee in consideration of the issuance of PACE Bonds. Certain of these PACE Bonds have been purchased by affiliates of the Transferor, and on the closing date these affiliates will sell all of their PACE Bonds to the Transferor, which will then contribute them to the Issuer. The Issuer will then pledge the PACE Bonds to the Class A ABS Note Trustee.



May 2018

Ygrene SelectRate Program



YGRENE SELECTRATE: OVERVIEW



- Buyers Points and Buyers Points Fee
- Property Owner Disclosures
- Operational Procedures
- Board Approval of Program

YGRENE SELECTRATE: BUYERS POINTS & BUYERS POINTS FEE



Ygrene SelectRate gives property owners the option to choose a rate plan with a lower interest rate equivalent in exchange for an interest rate fee based on buyers points.

- The interest rate reduction is in 100 bps intervals, there are two tiers available to choose
- Each interest rate reduction has corresponding buyers points
- The buyers points multiplied by the improvement costs determines the buyers points fee
- The buyers points fee is financed and factored into the APR calculation
- The effective date is based on the date the application is submitted
- Options can be selected up until the funding date
- SelectRate plans are applied to contractor's current FlexRate plans, there is no change to the FlexRate program
- Final interest rates cannot be reduced below the Ygrene floor rate of 3.50%
- Available to CA and FL residential property owners

YGRENE SELECTRATE: BUYERS POINTS & BUYERS POINTS FEE



	TERMS (Years)	5	10	15	20	25
SelectRate Plan 1	Interest Rate Reduction	1%	1%	1%	1%	1%
	Buyers Points for calculating the Buyers Points Fee Amount	3%	5%	5%	5%	5%
SelectRate Plan 2	Interest Rate Reduction	2%	2%	2%	2%	2%
	Buyers Points for calculating the Buyers Points Fee Amount	6%	10%	10%	10%	10%

YGRENE SELECTRATE: BUYERS POINTS & BUYERS POINTS FEE



Example	Term	Contract Value	Original Face ¹	Interest Rate	Buy Down Rate	Buy Down Fees	Annual Payment	Annual Payment Savings	Total Interest Savings ²
Without SelectRate	20	\$ 20,000	\$ 21,872	7.40%	0%	\$ -	\$ 2,129		
With SelectRate Plan 1			\$ 22,798	6.40%	5%	\$ 1,000	\$ 2,053	\$ 76	\$ 2,456
Without SelectRate	15	\$ 20,000	\$ 21,864	7.32%	0%	\$ -	\$ 2,449		
With SelectRate Plan 1			\$ 22,789	6.32%	5%	\$ 1,000	\$ 2,396	\$ 53	\$ 1,729
Without SelectRate	10	\$ 20,000	\$ 21,857	7.26%	0%	\$ -	\$ 3,149		
With SelectRate Plan 1			\$ 22,783	6.26%	5%	\$ 1,000	\$ 3,134	\$ 15	\$ 1,083
Without SelectRate	5	\$ 20,000	\$ 21,796	6.68%	0%	\$ -	\$ 5,270		
With SelectRate Plan 1			\$ 22,307	5.68%	3%	\$ 600	\$ 5,250	\$ 20	\$ 615

Original Face¹ = Contract Value + Program Fees + Capitalized Interest

Total Interest Savings² = amount of interest saved over the term of the contract

For the Ygrene SelectRate program the buyers points and buyers points fee are clearly disclosed in the following documents:

Application

- ❖ When the application is submitted with the property owner the SelectRate options can be selected

Know Before You Owe

- ❖ Defined buyers points and buyers points fee in relation to the other fees
- ❖ Explained the total amount financed will include the buyers points fee
- ❖ Disclosed prepayment of the lien is an option, depending when the prepayment is made the full cost of the buyers points fee may not be offset

Finance Agreement

- ❖ Buyers points fee is added as a separate line item in the exhibit

Estimated Settlement Statement

- ❖ Added a new line item for the buyers points fee

SUPPLEMENTAL INDENTURE



- To ensure SelectRate interest rates pass through to the applicable Sub-Series Bonds, the 2017 Bond Indenture should be amended.
- The definition of Interest Rate Index, which sets the interest rate for each Sub-Series Bond, will be updated to cause the rate determined by each series formula to be reduced by the applicable amount when the property owner chooses SelectRate.
- The District and the Trustee may make amendments to the Indenture that are not materially adverse to the 2017 bond owners without consent of or notice to the bond owners (other than any bond owner which holds 51% or more of the outstanding bonds by outstanding principal amount).
- An amendment is also sought to Section 8.01 (which describes amendments the District and the Trustee may make without bond owner consent) to remove the requirement that a bond owner with more than 51% of the outstanding bonds by principal must also consent to any such amendment as this section is already limited to non-materially adverse amendments.

QUESTIONS?

Exhibit 16



Consumer Protection Policies

Version 1.0

May 26, 2017



A Residential PACE Program

OVERVIEW

The Florida PACE Funding Agency (the “Agency”) is a public body corporate and politic and local unit of government duly organized and existing under the provisions of the Florida Interlocal Cooperation Act of 1969, Chapter 163, Part I, Florida Statutes, as amended.

The Agency, in order to serve the public interest, operates a property assessed clean energy (“PACE”) funding and financing program, in accordance with and as authorized by Section 163.08, Florida Statutes (the “Florida PACE Act”), providing a scalable statewide funding and financing program for energy conservation and efficiency improvements, renewable energy improvements and wind resistance improvements to real property (“Qualifying Improvements”) through the levy of special assessments (sometimes referred to as non-ad valorem assessments) authorized by the Florida PACE Act and the issuance of its bonds secured by the revenues from such non-ad valorem assessments.

The Agency provides PACE funding and financing for both residential and commercial properties. The program for residential properties is referred to herein as the “Program.”

PACE programs enable a much broader range of homeowners to install Qualifying Improvements that increase the value, functionality, and sustainability of their homes. Qualifying Improvements make homes less costly to operate and more comfortable to live in, while simultaneously reducing energy consumption, and safer and more sustainable, while, in many cases, simultaneously reducing insurance premiums involving wind resistance improvements. Without PACE programs, many homeowners would have no, or costlier, access to Qualifying Improvements.

The Agency, through its third party administrator CounterPointe Energy Solutions (FL) LLC and its designee CounterPointe Energy Solutions Residential, LLC (individually and collectively, the “Program Administrator”), provides disclosures, tools and resources that enable homeowners to make smart, informed and responsible choices regarding the financing of Qualifying Improvements. The Agency requires the Program Administrator to take measures to ensure that the disclosures, tools and resources are appropriate and accurate, which means that care must be taken with homeowners before, during and after the origination of Program financing. Consumer protections that serve homeowners are a core value of the Program.

This is the Agency’s Consumer Protection Policies (the “Policies”) to be implemented by the Program Administrator. The Policies address the following areas: (1) Eligibility and Risk; (2) Disclosures and Documentation; (3) Funding; (4) Operations; (5) Post-Funding Homeowner Support; (6) Data Security; (7) Privacy; (8) Marketing and Communications; (9) Protected Classes and Low Income Homeowners; (10) Participating Contractors; (11) Qualifying Improvements; and (12) Closing and Funding.

1. ELIGIBILITY AND RISK

Policy Summary: The Program blends credit risk considerations together with statutory requirements and policy objectives to develop specific risk and eligibility criteria for participation in the Program. The criteria examine four key attributes of every financed project: (1) the real property on which the Qualifying Improvements will be installed (the "Property"); (2) the encumbrances presently recorded against the Property; (3) the attributes of the Qualifying Improvements to be installed; and (4) the homeowner's payment history.

- 1.1. Properties. The Program Administrator shall make PACE financing available to all existing residential housing stock within the political boundaries of the Program. Residential housing consists of one to four family dwelling units. The Program is not available for properties that cannot be subject to a special assessment.
- 1.2. Mortgaged Properties. The equity of a Property is an important element in determining whether it qualifies for Program participation. Accordingly, if the Property is subject to one or more mortgages, the amount of the assessment is subject to the following limitations:
 - 1.2.1. 20% Just Value Limit. Without the consent of the holders or loan servicers of any mortgage encumbering or otherwise secured by the Property, the total amount of the non-ad valorem assessment on the Property may not exceed 20% of the just value of the Property, as determined by the county property appraiser.
 - 1.2.2. Exception to 20% Just Value Limit. If (i) the assessment is for Qualifying Improvements that are energy conservation and efficiency improvements or renewable energy improvements and (ii) an energy audit demonstrates that the annual energy savings from such Qualified Improvements equals or exceeds the annual repayment amount of the assessment, then no such consent is required if the total amount of the assessment on the Property would exceed 20% of the just value of the Property.
 - 1.2.3. Maximum Amount of Assessment and Mortgage Related Debt. The total mortgage-related debt on the underlying Property plus Program financing may not exceed the FMV of the Property. Reliability of the Program FMV model shall be verified through an accepted, regular and statistically significant confirmation process demonstrating that the Program's routine valuation methodology considers multiple reliable automated valuation model (AVM) sources and that the FMVs determined by the Program are within the range of such AVM sources.
- 1.3. Qualifying Improvements. The Program provides financing for a broad range of

eligible products and projects comprising Qualifying Improvements that are permanently affixed to the Property, the details of which are set forth in Section 11. The Program is not available to finance products and projects outside the scope of the requirements specified in Section 11. While the Program Administrator is responsible for confirming compliance with the Section 11 requirements, it is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Program Administrator may rely on applicable law, data and ratings from the U.S. Department of Energy, the Environmental Protection Agency and/or other federal and state government agencies or reputable third parties in determining what products and projects comprise Qualifying Improvements.

1.4. Homeowners. The payment history of the homeowner of record is an important factor in determining that homeowner's eligibility to participate in the Program. Accordingly, at the time of application, applicants must satisfy the following criteria in order to be eligible for Program financing:

- 1.4.1. The applicant is the homeowner of record;
- 1.4.2. Property tax payments for the assessed Property are current. Additionally, the homeowner must certify that there has been no late payment during the preceding three years or the property owner's period of ownership, whichever is less;
- 1.4.3. The homeowner is current on all mortgage debt;
- 1.4.4. The applicant has not had any active bankruptcies within the last two years;
- 1.4.5. The Property is not an asset in any bankruptcy proceeding;
- 1.4.6. The Property is not subject to a foreclosure action;
- 1.4.7. The homeowner has no outstanding or unsatisfied involuntary lien(s) recorded against the Property;
- 1.4.8. The Property is not subject to a reverse mortgage or similar financial instrument;
- 1.4.9. No notices of default or other evidence of property-based debt delinquency have been recorded against the Property during the preceding three years or the property owner's period of ownership, whichever is less.

2. DISCLOSURES AND DOCUMENTATION

Policy Summary: Documentation for Program participants should ensure compliance with these Policies and must be clear, easy to understand, complete, and fair to all parties. The objective is for the reader to have an unambiguous understanding of every right, risk and obligation associated with the Program's financing. At a minimum, the Program shall disclose traditional financing terms ("Disclosures"), e.g., interest rates, financing term, payment amounts, right to cancel, in forms substantially similar to those set forth in Exhibits A1, A2, A3 and A4.

2.1. Document Timing.

- 2.1.1. Before a homeowner is provided an application and other contract documents, the homeowner is provided a disclosure document describing in plain English the most significant risks and features of the Program's financing. See Exhibit A1. This disclosure document must be acknowledged by the homeowner before proceeding to the next step in the process.
- 2.1.2. Before commencement of any Program-financed project, a homeowner needs to: (i) submit an application; (ii) receive approval of the Qualifying Improvements from the Program Administrator; (iii) receive the Disclosures; and (iv) execute a Financing Agreement. The Program Administrator will send on behalf of the homeowner a notice to each holder or servicer of a mortgage on the Property.
- 2.1.3. Following installation of the Qualifying Improvements, a homeowner needs to: (i) execute an acknowledgement that the installation of the Qualifying Improvements has been completed satisfactorily; and (ii) receive a final summary of costs and payments.
- 2.1.4. Delivery to, and execution of all such documentation by, the homeowner is the responsibility of the Program Administrator.
- 2.2. Terms. Terms that must be included in the Disclosures are: (i) the amount financed, including the cost of the installed Qualifying Improvements, together with Program charges and capitalized interest, if any; (ii) the repayment process and schedule; (iii) the payment amounts; (iv) the term of the financing (that does not exceed the useful life of the Qualifying Improvements); (v) the fixed rate of interest charged; (vi) a payment schedule that fully amortizes the amount financed; (vii) the nature of the assessment as a lien against the Property upon entering in the financing agreement; (viii) the Qualifying Improvements to be installed; (ix) the right to withhold approval of payment until the project is complete or the condition for a progress payment is satisfied; (x) the three day right to cancel the financing; (xi) the right to prepay without a prepayment fee; and (xi) any other relevant state specific rights, notices, or requirements. It is the responsibility of the Program Administrator to prepare, deliver and arrange for execution of documents reflecting such terms.
- 2.3. Disclosures Policy.
 - 2.3.1. Disclosures ensure that homeowners are aware of and understand key Program financing terms and risks that appear in the Program's documentation. The Program Administrator must confirm delivery to, and receipt by, the homeowners of the Disclosures, and obtain written acknowledgement that homeowners have read and understand them. If any Disclosures are provided electronically, they must be provided in compliance

with the Electronic Signatures in Global and National Commerce (ESIGN) Act.

2.3.2. The following are key Disclosures of the Program that are required to be provided by the Program Administrator.

<u>Disclosures</u>	<u>Description</u>
Term of financing	The maximum time period of the financing.
Amount financed	The total amount financed, including an itemization of the installed cost of the Qualifying Improvements, Program charges and capitalized interest, if any.
Annual payment amount	The amount due each year, even if paid through impound payments.
Stated interest rate/APR	The interest rate and the annual percentage rate after taking into account certain charges and capitalized interest.
Qualifying Improvements financed	The Qualifying Improvements installed.
Prepayment risks	The risk that the homeowner may need to pay off the PACE assessment at the time of sale or refinance.
Right to cancel	The three-day right to rescind the financing.
Prepayment right and costs	The right to prepay the Program financing without premium or penalty. Any administrative costs are to be clearly defined. Any partial pre-payment results in re-amortization.
No advice provided as to tax benefits	Recommend that property owners consult with a tax professional regarding potential tax benefits that could apply to them.
Foreclosure	The risk of foreclosure and the foreclosure process in the event of a homeowner default.
Payment mechanics	A description of when the initial payment is due, and how the assessment payments may affect mortgage payments for homeowners with mortgage escrow accounts.
Late payments	A description of the penalties associated with making late payments.
Cost savings not guaranteed	A notice that any potential utility or insurance savings associated with the Qualifying Improvements financed by the Program are not guaranteed by the Agency or the Program Administrator, and will not reduce the assessment payments or total assessment amount.
Program overview	A guidebook that provides a comprehensive summary of the Program, including a summary of a homeowner's rights and obligations.
Tax lien status	A notice disclosing that the PACE assessment has the same status as a tax lien.
Property tax repayment process	Description of the property tax payment process and the line item for repayment of the Qualifying Improvements that the Program financed.
Privacy policy	A notice describing the privacy policies of the Program Administrator.
Federal disclosures	Applicable federal disclosures in the Program application.

2.4. Confirmation of Terms. The Program Administrator must confirm, by telephone with the homeowner applicant, each Program financing term listed in (a) through (j) of this Section 2.4 before the homeowner signs a financing agreement. Such telephonic confirmation may be recorded. A voicemail message does not satisfy this requirement. When confirming terms of a Program financing with a homeowner, the Program Administrator will request the homeowner to describe generally the Qualifying Improvements being financed using the Program financing, and will ascertain that the homeowner understands or acknowledges:

- (a) The Qualifying Improvements being installed are financed by the Program;
- (b) The total estimated annual payment, including estimated annual collection costs;
- (c) The date the first tax payment will be due;
- (d) The term of the Program financing;
- (e) The payments will be made through the homeowner's property taxes and paid either directly to the county tax collector's office or through his or her mortgage impound account;
- (f) A notice of assessment summarizing the financing agreement executed in connection with the Qualifying Improvements will be recorded and appear as a lien against the Property until paid;
- (g) That they are able to meet the increased property tax payment;
- (h) Questions on tax benefits or deductibility must be directed to a tax professional;
- (i) The possibility that the assessment may (a) remain on the Property or (b) be required to be paid off if the homeowner sells or refinances the Property; and
- (j) The three-day right to cancel the financing.

3. FUNDING

Policy Summary: PACE financing is a novel form of financing that, while sharing some features of traditional financing, presents different considerations for financing capital sources and structures.

3.1. Interest Rates. The Program Administrator may offer only fixed simple interest rates, and payments that fully amortize the assessment. Variable interest rates or negative amortization financing terms are not permitted. Capitalized interest included in the original balance of an assessment does not constitute negative amortization.

3.2. Sustainable Funding Source. The Program Administrator must establish a sustainable source of capital for funding PACE projects separate from the Agency's general fund or budget and have access to capital markets to ensure funding for qualified projects is available on a consistent basis. The Program

Administrator must demonstrate the capacity to fund assessments that the Program Administrator anticipates originating through such Program Administrator.

- 3.3. Contractor Fees. The Program Administrator can only charge fees to contractors offering Program financing provided such contractors agree not to pass such fees on to homeowners.

4. OPERATIONS

Policy Summary: Operations is the gatekeeper responsible for assuring that the Program has the people, processes, tools and technology necessary to deliver to homeowners the Program financing product, as well as the consumer protections described in these Policies.

- 4.1. Operational Consumer Protection Policies. The Program Administrators is required to provide people and develop processes, tools and technology necessary to support the consumer protection measures described in detail elsewhere in this Policy, including: (i) risk and underwriting processes; (ii) terms and documentation delivery systems; (iii) documentation, maintenance and retrieval processes; (iv) disclosure development, delivery and acknowledgment receipt; (v) post-funding support for homeowners and other stakeholders such as real estate professionals; (vi) data security measures; (vii) privacy policy development and protections; (viii) marketing and communication oversight; (x) protected class data and communication processes; (xi) contractor management and engagement; (xii) eligible product database and/or list development and maintenance; (xiii) closing and funding processes (including the ability to fulfill financing obligations); and (xiv) implementation of procedures to identify and address conflicts of interest within and associated with the Program.

5. POST-FUNDING HOMEOWNER SUPPORT

Policy Summary: A public/private partnership is at the core of the Program. This partnership carries with it elevated consumer protection responsibilities that apply to the Program with as much significance during the post-funding period as they do during the time of application and origination. Establishing a function responsible for customer care that responds to inquiries, complaints, contractor and workmanship concerns of the Qualifying Improvements financed is fundamental to the consumer protections that the Program provides.

- 5.1. Payments. The Program Administrator must have resources readily available to resolve any homeowner questions regarding payments. The Program requires that the Program Administrator implement procedures for responding in a timely and complete manner to requests for partial or full prepayment, matters regarding mortgage escrow or mortgage impound accounts catch up payments, payment timing inquiries and payment amount reconciliation, among

others.

- 5.2. Homeowner Recourse for Contractor Misconduct. The Program Administrator must have processes and procedures to receive, manage, track, and timely address all homeowner complaints regarding contractor misconduct. The process and procedures shall include the administrative remedy that a contractor who engages in misconduct or fails to cure defects in installation is disqualified from participating in the Program. The Program Administrator shall not adopt administrative remedies that in any way expand or abridge any legal rights or causes of action otherwise available to the homeowner.
- 5.3. Real Estate Transactions. The Program Administrator must develop capabilities to assist homeowners who are refinancing or selling their Properties. The Program Administrator must support real estate professionals providing services to refinance and sales transactions for properties with PACE assessments.

6. DATA SECURITY

Policy Summary: Trust is fundamental to any financing relationship, and Program financing is no exception. The public/private partnership at the center of the Program, as well as the confidential relationship homeowners have with the Program Administrator, mandate that the Program be in compliance with cyber-security standards, and in particular develop secure and tested processes that are intended to protect homeowners' nonpublic personal information at points of potential vulnerability.

- 6.1. Information Systems. The Program Administrator is required to develop and comply with secure and tested processes to protect the nonpublic personal information of the homeowner described in Section 7, including:
 - 6.1.1. A cyber-security policy and protocol that requires data encryption “during transmission” and “at rest,” and compliance with robust cyber-security standards.
 - 6.1.2. A protocol for access to information based upon job function and need-to-know criteria.
 - 6.1.3. Measures that protect the security and confidentiality of consumer records and information, including, without limitation, requiring all computers and other devices containing any confidential consumer information to have all drives encrypted with industry standard encryption software.
 - 6.1.4. Monitoring and logging all remote access to its systems, whether through VPN or other means.

6.1.5. Data security policies that are subject to auditing and penetration testing conducted by an independent auditor at least annually and any time a change is made that may have any material impact on the servers, security policies or user rights.

6.1.6. Ensuring minimum viable configurations are in place on all servers. All firewalls should have continuous logging enabled. In addition, access control lists and audited server configurations should be used to ensure that data security is maintained.

6.2. Personnel. The Program Administrator is responsible for:

6.2.1. Informing and enforcing compliance with the Program's data privacy and security policies on the part of every employee, contractor, vendor, agent, service provider, representative, and associate who is exposed to nonpublic personal information of homeowners provided to the Program Administrator.

6.2.2. Implementing protections and controls to prevent unauthorized copying, disclosure, or other misuse of nonpublic personal information.

7. PRIVACY

Policy Summary: The trusting and confidential relationship that exists between homeowners and the Program extends to the Program Administrators' use of homeowner data. Compliance with the Gramm-Leach-Bliley Act as well as the establishment of clear opt-in and opt-out protocols for information sharing are the pillars of the Program's privacy policy. More broadly, the Program must protect and manage nonpublic personal information, respect the privacy of all homeowners, and implement controls to prevent unauthorized collection, use and disclosure of such information.

7.1. Privacy Policy. The Program Administrator obtains nonpublic personal information (as defined in the Gramm-Leach Bliley Act of 1999, title V, its implementing regulations, and other similar laws and regulations) from homeowners as part of the Program application process or through other homeowner touch points with the Program. The Program Administrator must have a privacy policy prohibiting the Program Administrator from unlawfully disclosing, and taking all commercially reasonable measures to protect, any nonpublic personal information. In addition, such privacy policy will cover (i) the sources from which nonpublic personal information is obtained, (ii) the Program Administrator's use of nonpublic personal information, and (iii) a mechanism by which a consumer may opt-out of sharing information. The Program Administrator will deliver the privacy policy to homeowners prior to the receipt of the homeowners' signed financing agreement and will provide homeowners with updates to such privacy policy.

- 7.2. Application Process. Unless otherwise expressly consented to by the homeowner, all nonpublic personal information provided by a homeowner to the Program Administrator during the application process will be provided to the Program Administrator directly by the homeowner (or his verifiable legal representative or attorney in fact) and not by a contractor or other third party.

8. MARKETING AND COMMUNICATIONS

Policy Summary: Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of any Program include homeowners, contractors, the local governments in which the Program operates, investors, finance partners, real estate professionals, mortgage lenders, and the Program Administrator, among others. Communications or acts and practices that mislead stakeholders, add ineligible products and expenses to PACE financing or to the Program, abuse stakeholders, or otherwise fail to meet the core communication standards of appropriateness for the Program are not acceptable.

- 8.1. Prohibited Practices. The Program is prohibited, and prohibits the Program Administrator and Participating Contractors (defined below), from employing practices that are unfair, deceptive, abusive, misleading, violate federal or state laws or regulations or inconsistent with the Program's purpose.
- 8.1.1. The Program Administrator and Participating Contractors are expressly forbidden to: (i) suggest or imply in any way that the Agency or the Program is a government assistance program, (ii) suggest or imply that the Program is a free program, (iii) suggest or imply that the Program does not involve a financial obligation that the homeowner must repay, (iv) use check facsimiles to dramatize the amount of Program financing that would be available, and (v) present a check facsimile as if a negotiable instrument.
- 8.1.2. Participating Contractors are expressly forbidden to use a local government's (including the Agency's) logo, city seal or other graphic in marketing materials or presentations in a way that explicitly communicates an endorsement of the Program by the local government unless the local government has provided explicit permission in writing to do so.
- 8.1.3. Prohibited marketing practices also include those that are likely to add unnecessary expense to a homeowner, that unlawfully use nonpublic personal information or that violate any other law or regulation.
- 8.1.4. The Program Administrator and Participating Contractors or other permitted vendors that make marketing or sales telephone calls must not violate federal or state "Do-Not-Call" laws.

- 8.1.5. The Program Administrator is responsible for developing and enforcing marketing practices that meet the approval of the Agency.
- 8.2. Compliance with Law. The Program Administrator must adhere to all legal and regulatory requirements (e.g., telemarketing) pertaining to its advertising and marketing efforts.
- 8.3. Tax Advice. The Program Administrator may not provide tax advice to homeowners regarding Program financing; provided, however, that the Program Administrator may indicate to the homeowner that tax benefits may be available to certain homeowners who obtain PACE financing as described in IRS Tax Topic 503 and direct homeowners to seek the advice of an expert regarding tax matters related to the Program. The Program Administrator shall monitor and test the sales practices of employees and contractors to confirm adherence to the policy set forth in this Section 8.3.
- 8.4. Payments in Exchange for Financing.
- 8.4.1. Except as provided in Section 8.4.2, the Program Administrator is prohibited from providing any direct or indirect cash payment or other thing of material value to a Participating Contractor (or its affiliates) in excess of the actual price charged by such Participating Contractor to homeowners for the sale and installation of the Qualifying Improvements financed by the Program.
- 8.4.2. The Program Administrator is permitted to reimburse documented expenses to compliant Participating Contractors for Program Administrator-approved co-branded advertising and marketing campaigns and collateral, Program Administrator-sourced leads, reasonable entertainment expenses, training, and training events.
- 8.4.3. The Program Administrator or a Participating Contractor or any affiliate thereof may provide a direct cash payment or other thing of value to a homeowner explicitly conditioned upon such homeowner's selecting Program financing.

9. PROTECTED CLASSES AND LOW-INCOME HOMEOWNERS

Policy Summary: The Program Administrator must ensure compliance with all state and federal laws that cover individuals in protected classes including those based on race, religion, color, marital status, gender, sexual orientation, national origin, citizenship, presence of children, disability, age, veteran status, participation in a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. Heightened protections for homeowners 65 years and older, such as confirming understanding of financing terms and project specifications, is

a specific requirement of the Program. Availability of the Program to low-income homeowners who otherwise meet Program eligibility criteria should be protected.

- 9.1. General. The Program requires that the Program Administrator develop controls and methods to monitor and test compliance with all state and federal laws covering homeowners in protected classes.
- 9.2. Elders. The Program Administrator has a protocol to ensure that all homeowners 65 years and older understand the purpose of each Qualifying Improvement for which Program financing is made available, and the terms of such financing as described in Section 2.4.
- 9.3. Financing Application Access and Decisions. It is the responsibility of the Program Administrator to provide legally unbiased access to and decisions regarding Program participation to all applicants for Program financing.
- 9.4. Low-Income Households. The Program shall be made available in low-income communities to homeowners who meet Program eligibility criteria consistent with its availability to homeowners who meet such criteria in middle and high-income communities.

10. PARTICIPATING CONTRACTORS

Policy Summary: Contractors and their sales persons are one of the primary means by which homeowners become aware of Program participation options. Contractors and their sales persons are required to enter into contracts with the Program Administrator, and are required to register with state and local licensing boards and agencies as required by applicable law. Contractors are required to complete a training course, follow a code of conduct, maintain insurance and post bonds as required by state and local law, follow marketing requirements, among other obligations, all of which are designed to assure positive and productive homeowner interaction with the Program.

- 10.1. Policies. All contractors who sell, install, or manage subcontractors who install eligible Qualifying Improvements will become “Participating Contractors” by executing the Program Administrator’s Contractor Participation Agreement (the “PCPA”) and that all such Participating Contractors meet the requirements of the PCPA, which include:
 - 10.1.1. Compliance with the Program Administrator-issued code of conduct and any relevant state or local contractor code of conduct.
 - 10.1.2. Maintenance of an active license, and being in good standing, with any relevant state licensing board, as well as maintenance of any required insurance and an ability to meet bonding requirements;
 - 10.1.3. Execution of the PCPA only by a person who is authorized to act on behalf of, and who is responsible for the actions of, such Participating Contractor (a “Qualifying Individual”) and in compliance with any applicable licensing board requirements;

- 10.1.4. Oversight and management of employees, independent contractors and subcontractors who provide services to Participating Contractors accessing the Program;
 - 10.1.5. Meeting all other state and local licensing, training and permitting requirements; and
 - 10.1.6. Compliance with the Program's marketing policies.
- 10.2. Contractor Management. The Program Administrator must implement contractor management systems and procedures that manage and track contractor training and compliance violations on an individual and company basis. The Program Administrator may not calculate and provide to any Contractor the maximum dollar amount of a PACE assessment for which a homeowner could be eligible. This prohibition is not meant to preclude the Program Administrator from providing the maximum eligible financing amount to the homeowner upon request from the homeowner.
- 10.4. Contractor Training. The Program Administrator shall make available contractor training regarding the following: (i) the applicable contractor code of conduct terms as required by the Program, (ii) protected classes, including, without limitation, elder protection, and (iii) other consumer protection measures as required by the Program.
- 10.5. Remedial Action. The Program Administrator will warn, suspend, terminate or take other appropriate action with respect to a Participating Contractor based on violations of the PCPA or other Program requirements, in accordance with documented procedures. The Program Administrator must implement processes for the review and documentation of alleged violation(s) by a Participating Contractor and, if applicable, the suspension and/or termination of such Participating Contractor. The Program does not accept Program applications provided by contractors that the Program terminated in accordance with this Section 10.5.

11. QUALIFYING IMPROVEMENTS

Policy Summary: The Program enables and encourages homeowners to install Qualifying Improvements that are designed to provide a public benefit (such as saving energy or building hardening) in accordance with applicable law. The Program is responsible for implementing practices and controls (e.g., eligible product list and product confirmation processes) to ensure that financing is used only for Qualifying Improvements. Program product eligibility criteria ensure that property owners are financing Qualifying Improvements that are industry recognized for achieving higher levels of home energy efficiency, or other state specific approved Qualifying Improvements. The Program Administrator shall establish a process for confirming that all Qualifying Improvements meet PACE-eligibility criteria. While the Program Administrator is responsible for confirming compliance with the initial capacities of such products, it is not responsible for determining post-installation energy performance, savings or efficacy of such Qualifying Improvements.

- 11.1. Policies. Consistent with the objectives of the Florida PACE Act, the Program must:
- 11.1.1. Establish, maintain and make publicly available an Eligible Product List (EPL) that documents, at a minimum, the following criteria for each eligible product: the name or description, the associated eligibility specifications (e.g., performance thresholds, certification requirements and installation criteria), and the expected useful life in years. See Exhibit B Eligible Products List for an example of a list conforming to these criteria.
 - 11.1.3. Ensure that products included on the EPL are consistent with the scope of the categories of Qualifying Improvements.
 - 11.1.4. Ensure that the eligibility specifications defined for each Qualifying Improvement are based upon credible third-party standards and/or certification criteria that have established by appropriate government agencies and/or nationally-recognized standards and testing organizations, including, but not limited to, U.S. Department of Energy (e.g., EnergyStar), U.S. Environmental Protection Agency, national research laboratories, state energy offices, state/local building code divisions, International Code Council, Building Performance Institute, National Fenestration Rating Council, Solar Rating and Certification Corporation, Cool Roof Rating Council, and Air Conditioning Heating and Refrigeration Institute.
 - 11.1.5. Ensure that the useful life defined for each Qualifying Improvement is based on research from credible third-party sources of information, such as but not limited to the International Association of Certified Home Inspectors (InterNACHI), National Association of Home Builders (NAHB), American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE), manufacturer warranty documentation.
 - 11.1.6. Require that each product is permanently affixed to the Property.
- 11.2. Additional Products. The Program Administrator may permit financing of products not explicitly included in on the EPL, provided such products comprise Qualifying Improvements and/or are otherwise in compliance with this Section 11.
- 11.3. Ancillary Work Scope Policies. It is acknowledged that the installation of Qualifying Improvements may need to include ancillary work scope items (i.e., site preparation) that are not explicitly listed in the EPL. Therefore, the Program must evaluate such items using the following guidelines for ancillary

work scope items that are allowed to be included in the use of Program financing:

- 11.3.1. Ancillary work scope items must be directly related and necessary to complete the installation of a Qualifying Improvement or set of Qualifying Improvements.
- 11.3.2. The cost of ancillary work scope items may not exceed 25% of the cost of the related eligible Qualifying Improvements included in the Program financed project, unless there is a reasonable basis found by the Program Administrator to exceed the 25% limit.

11.4. Verification Procedures. The Program Administrator must establish procedures to verify Qualifying Improvements as follows:

- 11.4.1. Before providing a Contractor with the notice to proceed, collect information that the Qualifying Improvements scheduled to be installed using Program financing comprise only items appearing on the EPL, or have been approved as eligible.
- 11.4.2. The verification procedures must include the collection of sufficient key identifying information to independently verify eligibility against third-party data sources (e.g., certified reference IDs, manufacturer/brand names, model names, model numbers, performance ratings); self-certification of eligibility from the Contractor or homeowner is not sufficient.

12. CLOSING AND FUNDING

Policy Summary: The Program provides limited purpose financing to homeowners, and not general purpose financing that is common among other sources of financing. The Program has front-end (e.g., eligible Qualifying Improvements approval) requirements and pre-funding (e.g., completion certificates) procedures designed to confirm that Program financing is only used for Qualifying Improvements. Such procedures are essential to protecting the integrity of the Program.

- 12.1. Installation Completion Sign-off. The Program Administrator must confirm, before disbursing funds, that such funds are being used to fund the installation of approved Qualifying Improvements and that the conditions for such disbursement are satisfied and acceptable to the homeowner and the Contractor, and to require that the homeowner and the Contractor attest to such by signing a completion certificate. It is the responsibility of the Program Administrator to confirm any such document is signed within the maximum allowable installation time as specified by the Program.

12.2. Permits. Homeowners seeking Program financing are responsible for obtaining required permits for the installation of all Qualifying Improvements and providing verification thereof upon request.

12.3. Funding. The Program Administrator may authorize the disbursement of funds only upon achievement of verifiable milestones in connection with the installation of the Qualifying Improvements and that the final disbursement may not be made until the project is complete. The property owner and the Contractor must represent in the related completion certificate that all required building permits were obtained and inspections were performed satisfactorily. The property owner or the Contractor on the property owner's behalf is required to submit the documentation to the Program as a condition to a disbursement of funds.

EXHIBITS

EXHIBIT A1 - AllianceNRG Program™ Disclosure and Acknowledgment

EXHIBIT A2 – Estimated Financing Summary

EXHIBIT A3 – Notice of Right to Cancel & Cancellation of Financing Agreement

EXHIBIT A4 – Assessment Summary

EXHIBIT B – Eligible Products List

Exhibit A1 - AllianceNRG Program™ Disclosure and Acknowledgment

Please read this AllianceNRG Program™ Disclosure and Acknowledgment carefully and print and/download or otherwise keep a copy for your records.

The following disclosures contain important information about the AllianceNRG Program™ (the “Program”) with specific reference to the consequences and potential consequences of your agreement to finance your property improvement project by agreeing to place a non-ad valorem tax assessment (“PACE Assessment”) on your property. These disclosures are in addition to the disclosures and other information set forth in (1) the Florida Residential Financing Application, (2) the Florida Residential Properties Guidebook and (3) the Financing Agreement, all of which should be reviewed carefully before you decide to participate in the Program.

Your acknowledgment that you have read and understood each of the following disclosures and is evidenced by your completion of this form as indicated below. If you require additional information regarding any of the disclosures set forth below, or any other aspect of the AllianceNRG Program™ you should contact the Program at (855) 509-9922 and speak to a representative of CounterPointe Energy Solutions Residential, LLC. If, after reviewing the disclosures set forth below, you do not want to accept one or more of the consequences or potential consequences of accepting PACE Financing, you should not proceed with your application to participate in the Program.

Federal Housing Finance Agency; Potential Restriction on Sale and/or Refinance.

On December 22, 2014, the Federal Housing Finance Agency (“FHFA”) which oversees the eleven Federal Home Loan Banks (“FHLBanks”) and Fannie Mae and Freddie Mac issued a statement (which has been confirmed by subsequent statements and remarks) in which it made clear that Fannie Mae and Freddie Mac’s policies prohibit them from purchasing a mortgage where the property is subject to a first lien PACE Assessment. FHFA has made it clear that Fannie Mae and Freddie Mac should neither purchase nor refinance mortgages which are encumbered by PACE Assessments.

As a consequence of the FHFA position on PACE Assessments, you may have difficulty selling your home or refinancing your mortgage if you agree to a PACE Assessment attached to your property. Specifically, some Mortgage Lenders or Secondary Mortgage Market Purchasers may either (1) refuse to refinance an existing mortgage, (2) refuse to finance the purchase of any property or (3) refuse to purchase mortgages in the secondary mortgage market with respect to property subject to the type of assessment which would be created by participating in the Program. This may mean that if you desire to sell your property or refinance your mortgage after you obtain a PACE Assessment, you may be required to prepay the Assessment before you can close such a transaction.

Notice to Lender; Monthly Mortgage Escrow Payment.

In the event you choose to enter into a Financing Agreement, we will provide on your behalf at least thirty (30) days before you enter into a Financing Agreement written notice of that fact to your mortgage holder or mortgage servicer. This notice will include the maximum principal amount to be financed and the maximum annual assessment payment necessary to repay that amount which may cause an increase in the monthly escrow payments which are required pursuant to the terms of your mortgage with respect to your annual real estate tax payment obligation. We urge you to carefully review your mortgage documents and contact your lender before you execute a Financing Agreement if you have any concerns with respect to the impact of a PACE Assessment on your mortgage.

Progress Disbursements.

You have the right to withhold payment to your contractor until your property improvement project is completed to your satisfaction. Many contractors require payment of a portion of the project cost before the project is completed (“Progress Disbursement”). Progress Disbursements are governed by the terms of the Florida Completion Certificate (Multiple Disbursements) and you should discuss all aspects of your contractor’s request for a Progress Disbursement with your contractor and determine that you are comfortable authorizing a Progress Disbursement. If you authorize a Progress Disbursement, interest on the full amount of the PACE Assessment will begin to accrue from the date of the Progress Disbursement.

Assessment Lien.

When you finance your property improvement through a PACE Assessment you are creating a non-ad valorem special assessment lien on your property. The assessment lien recorded by the Agency against your property will be superior to all other titles, liens or mortgages, and is of equal dignity with property taxes and other governmental assessments.

Annual Assessment Installment.

The annual installment on your PACE Assessment will be included on your real estate tax bill which is sent to you in early November of each year. Unlike your annual real estate taxes, there is no discount for paying the annual installment on your PACE Assessment early.

Tax Lien Certificates.

In the event you do not pay the annual assessment installment when due, the Tax Collector will sell a tax lien certificate at a date and time advertised by the Tax Collector on or before June 1st of the year following the tax year for which the taxes were not paid. A tax certificate represents a lien for unpaid real estate taxes. The amount of the tax lien certificate is the sum of the unpaid real estate taxes and non-ad valorem assessments, penalties, advertising costs and fees. As a result of this process there is a significant risk that you may ultimately lose title to your property if you do not pay the annual

Prepayment of the PACE Assessment and Prepayment Fee.

You have the right to prepay all or a portion of the remaining balance of your PACE Assessment at any time subject to certain requirements, including the payment of interest on the PACE Assessment for a period subsequent to the date you prepay the PACE Assessment. You have the option to pay off the remaining balance of your PACE Assessment amount at any time in full or in any amount of at least \$2,500.

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 January 15th and July 15th occurring at least 20 days following the date the prepayment is made. There is no premium or prepayment penalty. A recording fee and an administrative fee will be added to the Assessment Prepayment Amount. There is no discount for prepaying all or a portion of the remaining balance on your

Closing Costs; Prepaid Interest.

You will incur fees and other costs for using the Program as set forth in Section 3 (B) of the Financing Agreement (“Closing Costs”). In addition, interest on the full amount of the PACE Assessment will begin to accrue on the date the bond to fund the PACE Assessment is issued, which is the date the first disbursement to your contractor is made. Depending on the timing of enrollment of your PACE Assessment in the County tax roll, an interest payment on such bond may be due before your first payment under the Financing Agreement. In such case, you must prepay the amount of that interest at the closing of your PACE Assessment (“Prepaid Interest”).

You have a right to either finance or pay the Closing Costs and Prepaid Interest on the closing of your PACE Assessment. If you decide to pay these amounts at closing, you must notify the Program of your decision prior to closing by calling the Program at (855) 509-9922. If you fail to so notify the Program, Closing Costs and Prepaid Interest will be capitalized and added to the amount of the PACE Assessment.

Tax Advice.

Nothing in any publication of the Program should be considered as tax advice and it your responsibility to consult with your personal tax advisor regarding any tax benefits which may be available to you as a result of your participation in the Program.

Property Valuation.

The Program makes no representation or warranty that the property improvements to be financed by the PACE Assessment will increase the overall value of your property.

WT Legal Deed Owner: Property Owner Date

Exhibit A2 - Estimated Financing Summary

Application ID No: FL01-0005270
 Financing Agreement Date: May 26, 2017
 Financing Agreement Return Date: June 05, 2017
 Completion Certificate Deadline: August 24, 2017
 Initial Tax Year on Roll: 2018
 Applicable Tax Roll Deadline: August 1, 2017

Property Summary

Property Address: PI PROPERTY STREET, PI PROPERTY CITY, FL PI REZ ZIP
 Just Market Value: \$1,879,860.00
 Maximum Financing \$375,972.00

Property Owner(s) and Mailing Address(es)

PI MASTER FL TEST
 AT OWNER 1 ADDRESS, AT OWNER 1 CITY, FL 11111

Your Annual Payments will be added to your property tax bill for 20 years. If your project funds on or before the Applicable Tax Roll Deadline, your first payment will be included on your 2017 property tax bill typically sent in November. If your project funds after Applicable Tax Roll Deadline, your first payment will be included on your November 2018 property tax bill. The following terms are good faith estimates and are subject to change upon completion of your project. This summary does not include tax deductions or tax credits, rebates or energy savings. **Refer to the attached Summary of Definitions and Disclosures and carefully review the Financing Agreement and the Exhibits for more details. Please initial the Declarations and sign the Acknowledgement on the second page, return the signed copy to us and keep a copy for your records.**

Summary of Assessment Terms	
Maximum Project Amount	\$25,527.00
Closing Costs Financed	\$3,342.05
Term	20 years
Interest Rate	5.99%
Annual Percentage Rate (APR)	7.28%
Estimated Annual Payment Added To First Property Tax Bill	\$2,652.04
Summary of Closing Costs	
Application Charge(s)	+ \$0.00
Program Administration	+ \$1,633.73
Recording Fee	+ \$41.00
Reserve Fund Deposit	+ \$72.17
Administrative Reserve Account Deposit	+ \$10.00
Prepaid Interest	+ \$1,585.15
Total Closing Costs	= \$3,342.05

Total Estimated Annual Payments	
Maximum Project Amount	\$25,527.00
Closing Costs Financed	+ \$3,342.05
Maximum Financed Amount	= \$28,869.05
Total Interest	+ \$21,428.75
Maximum Assessment Amount	= \$50,297.80
Total Estimated Annual Collection Cost	+ \$2,743.00
Total Estimated Annual Payments	= \$53,040.80
Summary of Annual Payment	
Assessment Installment	\$2,514.89
Annual Collection Cost	+ \$137.15
Annual Payment (Estimated)	= \$2,652.04
Summary of Cash to Close	
Total Project Costs	\$25,527.00
Maximum Project Amount	- \$25,527.00
Total Closing Costs	\$3,342.05
Closing Costs Financed	- \$3,342.05
Cash to Close	= \$0.00

Qualifying Improvements	
Description of Qualifying Improvements: Energy Efficiency Improvement : AA Insulation	
Total Project Costs	\$25,527.00
Less Rebates, Tax Credits and Payments by Property Owner	\$0.00
Maximum Project Amount	\$25,527.00
<u>Declarations</u>	<u>Initials (All Owners)</u>
<p>I/We understand that this financing will result in a special non-ad valorem assessment lien being placed on the property identified above. The assessment will be collected along with my/our property taxes in annual payments, and the law requires that the annual payments must be paid with, and at the same time as, my/our property taxes.</p>	
<p>I/We understand that this is a long-term financing for up to the useful life of the Qualifying Improvements described above. The term of this financing is 20 years. If I/we refinance my/our home, my/our mortgage lender may require me/us to pay off the remaining balance. If I/we sell my/our home, the buyer or the buyer's mortgage lender may require me/us to pay off the remaining balance. I/We will notify any future purchaser of this assessment.</p>	
<p>I/We understand that my/our property tax bill will increase each year during the term of the assessment to pay off the Financed Amount. I/We need to save or set aside an estimated \$2,652.04 for my/our Annual Payment which will be due in November 2018 and payable with my/our property taxes. If I/we pay property taxes through a mortgage impound or escrow account, then my monthly mortgage payment should be adjusted to cover my/our increased property tax bill.</p>	
<p>I/We understand that I/we should consult my/our tax advisor regarding tax credits, tax deductibility and other possible tax benefits, and that I/we are responsible for retaining and submitting with my/our tax return any required documentation.</p>	

Summary of Definitions and Disclosures	
Administrative Reserve Account	A deposit to a fund to provide for a reserve to pay certain expenses of the Agency and the trustee for the bonds issued to fund your Assessment.
Amount Added to Annual Property Tax	An amount equal to the sum of the Assessment Installment plus the estimated amount of the Annual Collection Cost for the first year.
Annual Collection Cost	For any year, the fees incurred to cover the costs of administering the Assessment, including municipal recording fees, county tax collector, county property appraiser, or similar administration charges and fees payable to the trustee for the bonds issued to finance your Assessment. This amount is estimated based on the best available information.
Annual Payment	For any year, an amount equal to the sum of the Assessment Installment plus the Annual Collection Cost for such year.
Annual Percentage Rate (APR)	The interest and certain other costs over the Term, expressed as a rate. This is not your interest rate. Annual Collection Cost is not included in calculating the
Applicable Tax Roll Deadline	The date by which your Assessment must be funded in order for your obligation to pay the Assessment to appear on your next annual property tax bill. If you miss this date, the amount of your Prepaid Interest will increase, causing the amount of your obligation to increase, both annually and in total.
Application Charges	These are charge paid to the Program Administrator or third parties to cover certain costs in connection with your application.
Application ID No.	A unique number assigned by the Program Administrator to you.
Assessment Installment	The amount representing the amortization of the Financed Amount and the interest on the unpaid Financed Amount. This amount does not change over the Term unless there is a partial prepayment.
AVM Report	AVM means automated valuation model. An AVM Report is a report from an independent third party using a financial model to value properties.
Cash to Close	The amount of cash the property owner will need to pay to close on the Assessment. If any amount of the Total Project Costs or Closing Costs were paid by the property owner prior to closing and included in the Maximum Financed Amount, the property owner will be reimbursed for such amount at the closing.
Closing Costs	The one-time fees and costs incurred in connection with the origination, processing and closing of the funding of your Assessment.
Closing Costs	The Closing Costs you have elected to finance rather than pay out of pocket.
Completion Certificate Deadline	The date by which you must and submit the Completion Certificate to the Program Administrator (or the initial Completion Certificate if there is more than one disbursement).
Financing Agreement Date	The date that the Financing Agreement was generated for your signature.
Financing Agreement Return Date	The date by which you must sign and return the Financing Agreement in order to lock in its terms. If it is returned after that date, the Program Administrator has the right to reject it and offer new terms instead.
Initial Tax Year on Roll	The first tax year for which your obligation to pay the Assessment will appear on your property tax bill.
Interest Rate	The interest (expressed as a percentage) on the Maximum Financed Amount. The rate of interest is fixed and will not change during the Term.

Summary of Definitions and Disclosures (continued)	
Maximum Assessment Amount	The sum of the Maximum Financed Amount plus the Total Interest. This amount does not include any Collection Cost. The final Assessment Amount is paid in equal annual Assessment Installments.
Maximum Financed Amount	The sum of the Maximum Project Amount and the Closing Costs Financed.
Maximum Financing Availability	The maximum amount of financing for which your property qualifies under the Agency's PACE Program.
Maximum Project Amount	The maximum amount of the Project Costs being financed.
Prepaid Interest	Interest on the Maximum Financed Amount for the period from the disbursement of funds to the following July 15th. No Prepaid Interest would be payable if the disbursement occurs between July 15th and the Applicable Tax
Program Administration Charge	A one-time charge covers or defrays certain costs of the Agency, the Program Administrator, bond counsel, special counsel, financial advisors and other entities responsible for program administration, support and management.
Recording Fee	A one-time fee that covers the cost of filing documents relating to the Assessment, including the Notice of Assessment and if required the Supplemental Notice of Assessment.
Reserve Fund Deposit	A one-time deposit to a fund to provide for a reserve to pay the principal and interest on the bonds issued to fund your Assessment.
Term	The number of years to pay off the Financed Amount.
Total Estimated Annual Collection Cost	An estimate of the total amount of Annual Collection Cost over the Term. It is equal to the product of the amount of the estimated Annual Collection Cost for the first year multiplied by the Term. It is likely that the Annual Collection Cost will increase or decrease from time to time over the Term because certain charges and costs (for example, those charges by the county tax collector or county property appraiser) can change over the Term.
Total Estimated Annual Payments	An amount equal to the sum of the Assessment Amount plus the Total Estimated Annual Collection Cost.
Total Interest	The total amount of interest payable on the Maximum Financed Amount over the Term. Total Interest does not include Prepaid Interest.
Total Project Costs	The total amount of eligible costs (materials, labor and other eligible costs) for installing the Qualifying Improvements that are approved by the Agency for funding and financing.

Acknowledgement of Receipt

By signing this Estimated Financing Summary, you are only confirming that you have received and read it. You do not have to accept this financing because you have received or signed this Estimated Financing Summary.

PI MASTER FL TEST: Property Owner 1 _____ Date _____

Exhibit A3 - NOTICE OF RIGHT TO CANCEL

Date: May 26, 2017
Application ID #: FL01-0005270
Property Owner Name PI MASTER FL TEST
Property Address: PI PROPERTY STREET, PI PROPERTY CITY, FL PI REZ ZIP
Program: Residential

Your Right To Cancel the Financing Agreement:

You are entering into a Financing Agreement with the Florida PACE Funding Agency ("Agency") for the financing of Qualified Improvements that will result in a governmental lien on the property at PI PROPERTY STREET, PI PROPERTY CITY, FL PI REZ ZIP. Under this Program, administered for the Agency by CounterPointe Energy Solutions Residential LLC (the "Program Administrator"), you may cancel this transaction, without cost, within three (3) business days from the date on which you signed the Financing Agreement.

If you cancel this financing transaction, within 20 calendar days after the Agency receives notice of cancellation, the Agency must take the steps necessary to reflect the fact that, if recorded, the lien on your property has been discharged or nullified, and the Agency must return to you any money you have given to the Program Administrator in connection with your application for financing under the Program, not including any application processing fees, whether paid to the Agency, the Program Administrator, or third parties. You must return any funds paid to you or on your behalf, by or on behalf of the Agency, whether to your contractor or any other person, immediately. All money must be returned to the address below.

ATTN: Cancellation
Florida PACE Funding Agency
c/o CounterPointe Energy Solutions Residential LLC
555 South Federal Highway, Suite 350

Acknowledgement (this page must be signed returned with the Financing Agreement)

I/We hereby acknowledge receiving and reading this Notice of Right to Cancel.

PI MASTER FL TEST: Property Owner 1

Date

CANCELLATION OF FINANCING AGREEMENT

How to Cancel:

If you decide to cancel this financing transaction for Qualifying Improvement(s), you must do so by notifying the Florida PACE Funding Agency in writing at:

ATTN: Cancellation
Florida PACE Funding Agency
c/o CounterPointe Energy Solutions Residential LLC
555 South Federal Highway, Suite 350
Boca Raton, FL 33432
Fax: (855) 509-9923
Email: UW@AllianceNRG.com

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

I/We Wish to Cancel

ONLY SIGN HERE IF YOU ARE CANCELLING YOUR FINANCING AGREEMENT

PI MASTER FL TEST: Property Owner 1

Date



Exhibit A4 – Assessment Summary (and cover letter)

May 00, 2017

Dear PI MASTER FL TEST,

We are pleased to inform you that your AllianceNRG Program™ financing by the Florida PACE Funding Agency has now been funded in accordance with your Completion Certificate.

The financing is in the form of an assessment on your property and it is repaid by adding the annual payment to your property tax bill until the financing is repaid. Included you will find documents regarding the final funding of your project:

- Assessment Summary
- Final Exhibit B to your Financing Agreement
- Final Notice of Assessment, as filed with the County Recorder's Office
- Supplemental Notice of Assessment, as filed with the County Recorder's Office, if applicable

Using the borrowing power in your home provides the benefit of financing clean energy improvements. Thank you for choosing the AllianceNRG Program™ and we hope that you will be pleased with all the advantages of your new improvements.

If you have any questions, please call us at (855) 509-9922 or at Information@alliancenerg.com.

ASSESSMENT SUMMARY

This Assessment Summary is provided in connection with the attached Financing Agreement for a non-ad valorem assessment imposed and levied as a result thereof by the Florida PACE Funding Agency against the Assessed Property described below. The following capitalized terms have the meanings stated in the Financing Agreement, unless clearly stated otherwise.

1. CLOSING DATE:

2. ASSESSMENT DESCRIPTION:

- (A) Property Owner: PI MASTER FL TEST
- (B) Address of Assessed Property: WT Legal Property Address
- (C) Assessed Property Parcel ID number: WT LEGAL PROPERTY APN
- (D) Description of Qualifying Improvements: Energy Efficiency Improvement : AA Insulation
- (E) Notice of Assessment – Copy attached [with the Supplemental Notice of Assessment, if applicable]
- (F) Qualifying Improvements financed:
- (G) Closing Costs financed: \$00,000.00
- (H) Prepaid Interest (included in the Closing Costs): \$0,000.00
- (I) Financed Amount (Project Amount plus Closing Costs financed): \$00,000.00
- (J) Annual interest rate for the term of the Assessment: 5.99%
- (K) Term of the Assessment: 00 years
- (L) Assessment Amount (the Financed Amount plus the amount of the interest over the Term of the Assessment, exclusive of Prepaid Interest which is included in the Financed Amount): \$00,000.00
- (M) Assessment Installment (the amortization of the Financed Amount plus the interest on the unpaid Financed Amount), exclusive of Annual Collection Cost: \$00,000.00
- (N) Annual Collection Cost are the annual costs associated with collection of the Annual Payment on the property tax bill, which may include administrative expenses incurred by the Agency, and fees imposed by the local County Property Appraiser and Tax Collector pursuant to section 197.3632, Florida Statutes. The Annual Collection Cost may vary annually, primarily depending upon how much the County Property Appraiser and Tax Collector in your community may annually charge. \$00.00

3. WHEN AND HOW ANNUAL PAYMENTS ARE MADE:

Your Annual Payment will appear on your property tax bill each year. By law it must be paid along with and at the same time as your property taxes. You cannot sever or pay your property taxes or pay the Annual Payment separately. That is reason why this collection method is sometimes called the tax bill or uniform method of collection. If your Closing Date was after August 1st, your Assessment will not appear on your property tax bill until November of the following year.

4. HOW TO PREPAY YOUR ASSESSMENT:

You are entitled to prepay your Assessment at any time. See Section 3(D) of your Financing Agreement for details. Please go to the frequently asked questions section of either the AllianceNRG Program website, www.AllianceNRG.com, or the Florida PACE Funding Agency website, www.floridapace.gov, for more details.



5. HOW TO CONTACT THE AGENCY'S PROGRAM ADMINISTRATOR:

Save this Assessment Summary for your records and have it available if you contact the Program Administrator.
Please direct all inquiries to:

AllianceNRG Program c/o CounterPointe Energy Solutions Residential LLC
555 South Federal Highway, Suite 350, Boca Raton, FL 33432
Phone: (855) 509-9922
Email: Information@alliancenerg.com

Exhibit B - Eligible Products List

Product Category	Product Type	Product Specifications	Estimated Life (Years)
Heating, Ventilation, and Air Conditioning (HVAC)	Air-Source Heat Pump	<ol style="list-style-type: none"> 1. Product must be AHRI Certified and the AHRI number must be provided. 2. Product must be Energy Star Compliant: <ol style="list-style-type: none"> a. Mini-Split: <ol style="list-style-type: none"> i. SEER \geq 14.5 & ii. HSPF \geq 8.2 & iii. EER \geq 12 b. Packaged Unit: <ol style="list-style-type: none"> i. SEER \geq 14 & ii. HSPF \geq 8.0 & iii. EER \geq 11 3. Must be new and replace an existing product. 4. Must be installed according to manufacturer specs and all applicable state and local codes 	15
	Central Air Conditioner	<ol style="list-style-type: none"> 1. Product must be AHRI Certified and the AHRI number must be provided. 2. Product must be Energy Star Compliant: <ol style="list-style-type: none"> a. Mini-Split: <ol style="list-style-type: none"> i. SEER \geq 14.5 & ii. EER \geq 12 b. Packaged Unit: <ol style="list-style-type: none"> i. SEER \geq 14 & ii. \geq EER 11 3. Must be new and replace an existing product. 4. Must be installed according to manufacturer specs and all applicable state and local codes 	15
	Furnace	<ol style="list-style-type: none"> 1. Product must be AHRI Certified and the AHRI number must be provided 2. Product must be Energy Star Compliant - AFUE \geq 90% 3. Must be new and replace an existing product. 4. Must be installed according to manufacturer specs and all applicable state and local codes 	10

Product Category	Product Type	Product Specifications	Estimated Life (Years)
	Evaporative Cooler	<ol style="list-style-type: none"> 1. Must have separate duct system; separate from of the air conditioning and heating duct system 2. Must be permanently installed through wall or on the roof; window installed units are not eligible 3. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Boiler	<ol style="list-style-type: none"> 1. Product must be AHRI Certified and the AHRI number must be provided. <ol style="list-style-type: none"> a. Product must be Energy Star Compliant - AFUE \geq 85%. 2. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Geothermal Heat Pump	<ol style="list-style-type: none"> 1. Product must be Energy Star Compliant: <ol style="list-style-type: none"> a. Closed Loop Water-to-Air: <ol style="list-style-type: none"> i. \geq 14.1 EER & ii. \geq 3.3 COP b. Open Loop Water-to-Air: <ol style="list-style-type: none"> i. \geq 16.2 EER & ii. \geq 3.6 COP d. Closed Loop Water-to-Water: <ol style="list-style-type: none"> i. \geq 15.1 EER & ii. \geq 3.0 COP e. Open Loop Water-to-Water: <ol style="list-style-type: none"> i. \geq 19.1 EER & ii. \geq 3.4 COP f. Direct Expansion (DGX): <ol style="list-style-type: none"> i. \geq 15.0 EER & ii. \geq 3.5 COP 2. Product must be new and replace an existing product 3. Must be installed according to manufacturer specs and all applicable state and local codes 	15

Product Category	Product Type	Product Specifications	Estimated Life (Years)
	Hydronic Radiant Heating System	<ol style="list-style-type: none"> 1. System must be powered by an high-efficiency AllianceNRG-eligible heating source 2. Must be installed according to manufacturer specs and all applicable state and local codes 	15
	Mini-Split Air Conditioner	<ol style="list-style-type: none"> 1. Product must be AHRI certified and the AHRI number must be provided. 2. Efficiency: <ol style="list-style-type: none"> a. ≥ 15 SEER 3. Product must replace an existing product 4. Must be installed according to manufacturer specs and all applicable state and local codes 	15
	Mini-Split Heat Pump	<ol style="list-style-type: none"> 1. Product must be AHRI certified and the AHRI number must be provided. Efficiency: <ol style="list-style-type: none"> a. ≥ 15 SEER & b. HSPF ≥ 8.2 2. Product must replace an existing product 3. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Biomass / Wood Stove	<ol style="list-style-type: none"> 1. Product must be certified and listed on the EPA Certified Wood Stoves list 2. Must be installed according to manufacturer specs and all applicable state and local codes 	15
	Duct Replacement	<ol style="list-style-type: none"> 1. Duct system leakage limits: <ol style="list-style-type: none"> a. Allowed partial replacement when $\leq 15\%$ total system nominal flow or b. Allowed full replacement when $\leq 6\%$ total system nominal flow 2. Duct Insulation R-Value $\geq R-6$ 3. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Heat/ Energy Recovery Ventilator	<ol style="list-style-type: none"> 1. Product must be certified by the Home Ventilation Institute (HVI) 2. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Exhaust Ventilation Fixture	<ol style="list-style-type: none"> 1. Product must be Energy Star Compliant 2. Must be installed according to manufacturer specs and all applicable state and local codes 	10

Product Category	Product Type	Product Specifications	Estimated Life (Years)
	Whole House Fan	<ol style="list-style-type: none"> 1. Product must be Energy Star Compliant 2. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Attic Ventilation Fixture	<ol style="list-style-type: none"> 1. Product must have thermostatic control 2. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Ceiling Fan	<ol style="list-style-type: none"> 1. Product must be certified as Energy Star compliant 2. Must be installed according to manufacturer specs and all applicable state and local codes 	15
Windows, Doors, and Skylights	Window	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR compliant and NFRC Certified: <ol style="list-style-type: none"> a. U-Factor \leq 0.32 & b. SHGC \leq 0.30 2. Product must replace an existing product 3. Product NFRC labels must be submitted with Certificate of Compliance or Occupancy 4. Must be installed according to manufacturer specs and all applicable state and local codes 	20

Product Category	Product Type	Product Specifications	Estimated Life (Years)
	Door	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR compliant and NFRC Certified: <ol style="list-style-type: none"> a. Opaque: <ol style="list-style-type: none"> i. U-Factor ≤ 0.21 & ii. SHGC = Any b. $\leq 1/2$-Lite: <ol style="list-style-type: none"> i. U ≤ 0.27 & ii. SHGC ≤ 0.30 c. $> 1/2$-Lite: <ol style="list-style-type: none"> i. U ≤ 0.32 & ii. SHGC ≤ 0.30 2. Product must replace existing product 3. Product NFRC labels must be submitted with Certificate of Compliance or Occupancy 4. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Skylights and Tubular Daylighting Device	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Compliant and NFRC Certified: <ol style="list-style-type: none"> a. U-Factor ≤ 0.55 & b. SHGC ≤ 0.30 2. Product NFRC labels must be submitted with Certificate of Compliance or Occupancy 3. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Applied Window Film	<ol style="list-style-type: none"> 1. Product must be NFRC Certified 2. Product NFRC labels must be submitted with Certificate of Compliance or Occupancy 3. Must be installed according to manufacturer specs and all applicable state and local codes 	10
Solar Photovoltaic and Thermal	Solar Panel	<ol style="list-style-type: none"> 1. (California only) Product must be listed as California Solar Initiative incentive-eligible photovoltaic module in compliance with CA-SB1 guidelines 2. Installation Contractor must hold an NABCEP Solar PV Certification in good standing 3. (California only) Be registered with the California Solar Initiative Program and have the correct CSLB licensure to install solar systems 4. System must be grid connected unless the property is not currently connected to the grid 5. Must be installed according to manufacturer specs and all applicable state and local codes 	20

Product Category	Product Type	Product Specifications	Estimated Life (Years)
	Solar Inverter	<ol style="list-style-type: none"> 1. (California only) Product must be listed as California Solar Initiative eligible inverter in compliance with CA-SB1 guidelines. 2. (California only) Installation contractor must be registered with the California Solar Initiative Program and have the correct CSLB licensure to install solar systems 3. System must be grid connected unless the property is not currently connected to the grid 4. Must be installed according to manufacturer specs and all applicable state and local codes 5. The inverter must be warranted for a period equal to the financing term 	20
	Solar Water Heating	<ol style="list-style-type: none"> 1. System must have the OG-300 System Certification by the Solar Rating and Certification Corporation (SRCC) 2. System Solar Fraction (SF) must be ≥ 0.5 3. Auxiliary tank must be residential class 4. Must be installed according to manufacturer specs and all applicable state and local codes 	15
	Solar Pool Heating	<ol style="list-style-type: none"> 1. Product must have the OG-100 Collector Certification by the Solar Rating and Certification Corporation (SRCC) 2. Must be installed according to manufacturer specs and all applicable state and local codes 	20

Product Category	Product Type	Product Specifications	Estimated Life (Years)
Alternative Energy	Small Wind Turbine	<ol style="list-style-type: none"> 1. 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) 2. Product must be grid connected unless the property is not currently connected to the grid 3. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Advanced Energy Storage System	<ol style="list-style-type: none"> 1. (California only) System must meet the eligibility requirements outlined in the current California Self-Generation Incentive Program (SGIP) Handbook 2. System must be tied to a program eligible Solar PV system 3. System must be grid connected unless the property is not currently connected to the grid 4. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Electric Vehicle Charging Station	<ol style="list-style-type: none"> 1. Product must certified as meeting the UL Subject 2594 Standard Testing for Charging Stations 2. Product must be a Level 2 charger with SAE J1772 standard charging plug 3. Must be installed according to manufacturer specs and all applicable state and local codes. 	

Product Category	Product Type	Product Specifications	Estimated Life (Years)
	Stationary Fuel Cell Power System	<ol style="list-style-type: none"> 1. System must be certified as meeting the ANSI/CSA America FC1 standard 2. Must be installed according to manufacturer specs and all applicable state and local codes and/or: <ol style="list-style-type: none"> a. Standard for the Installation of Stationary Fuel Cell Power Plants, NFPA 853, b. National Fuel Gas Code, ANSI Z223.1/NFPA 54, c. National Electrical Code, NFPA 70, as applicable. 	15
Building Envelop	Exterior Window Shading Device	<ol style="list-style-type: none"> 1. Product must be permanently secured to the exterior of the property with attachments or fasteners that are not intended for removal 2. Each device must be installed to provide shading to at least one window or door 3. Product must be one of the following styles: <ol style="list-style-type: none"> a. Fixed Awning b. Operable Awning c. Louvered Shutter d. Roll-down Shutter e. Roll-down Solar Screen 4. Exterior structural elements including, but not limited to sunroom enclosures, exterior decks, balconies, roof overhangs, trellises, pergolas, arbors, and/or carports are <u>NOT</u> eligible 5. Interior window shading products including, but not limited to, blinds, shutters, shades, or curtains are <u>NOT</u> eligible 6. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Cool Wall Coating	<ol style="list-style-type: none"> 1. Product must be Energy Star Compliant 2. Product must have solar reflectance ≥ 0.5 as tested by recognized third-party laboratory to ASTM C1549-09 standard 3. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Cool Roof - Prescriptive	<ol style="list-style-type: none"> 1. Product must be listed in the CRRC or ENERGY STAR product directories 2. Low-Slope Roof ($\leq 2:12$) Efficiency: <ol style="list-style-type: none"> a. Aged (3 yrs.) Solar Reflectance ≥ 0.5 3. Steep-Slope Roof ($> 2:12$) Efficiency: <ol style="list-style-type: none"> a. Aged Solar Reflectance > 0.15 4. Must be installed according to manufacturer specs and all applicable state and local codes 	20

Product Category	Product Type	Product Specifications	Estimated Life (Years)
	Cool-Roof - Performance	<ol style="list-style-type: none"> 1. 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: <ol style="list-style-type: none"> a. Provide an air-space of at least 1"between the top of the roof deck and the bottom of the roofing product b. Insulate attic floor to R-value ≥ 38 c. Seal & Insulate attic HVAC duct work to R-8 and $\leq 6\%$ leakage d. Install an eligible radiant barrier (Reflectivity ≥ 0.9 and Emittance ≤ 0.1) with reflective side facing air space e. Insulate roof deck to R-value ≥ 4 f. Install roof construction with thermal mass over a membrane with a weight of at least 25 lb/ft² 2. Project stakeholder is fully and solely responsible to meet any such additional requirements. 3. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Attic Insulation	<ol style="list-style-type: none"> 1. R-value ≥ 38 2. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Wall insulation	<ol style="list-style-type: none"> 1. R-value ≥ 13 to full framing cavity depth 2. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Under-floor Insulation	<ol style="list-style-type: none"> 1. R-value ≥ 19 to full joist depth 2. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Radiant barrier	<ol style="list-style-type: none"> 1. Emissivity ≤ 0.1 2. Reflectivity ≥ 0.9 3. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Air Sealing	<ol style="list-style-type: none"> 1. Installation must comply with BPI, ENERGY STAR, and ASHRAE 62.2 guidelines. 	10

Product Category	Product Type	Product Specifications	Estimated Life (Years)
High-Efficiency Water Heating	Gas Storage water Heater	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Compliant 2. EF \geq 0.67 3. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Electric Heat Pump Storage Water Heater	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Compliant 2. EF \geq 2.0 3. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Gas Tankless Water Heater	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Compliant 2. EF \geq 0.82 3. Must be installed according to manufacturer specs and all applicable state and local codes 	10
High Efficiency Pool Equipment	Pool Pump and Motor	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Compliant: <ol style="list-style-type: none"> a. Single Speed Pump: EF \geq 3.8 for single speed b. Multi/Variable Speed/Flow: EF \geq 3.8 for most efficient speed 2. Product must replace existing product 3. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Electric Heat Pump Pool Heater	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Compliant 2. COP \geq 4.5 3. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Gas Pool heater	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Compliant 2. Thermal Efficiency \geq 83% 3. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Automatic pool cover	<ol style="list-style-type: none"> 1. Product must be an automatic pool cover UL certified as meeting ASTM F1346 Standard Performance Specification 2. Product must be permanently installed on an existing swimming pool 3. Must be installed according to manufacturer specs and all applicable state and local codes 4. Manual swimming pool covers are not eligible. 	10

Product Category	Product Type	Product Specifications	Estimated Life (Years)
High Efficiency Lighting	Indoor Lighting Fixture	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Compliant 2. Product must be permanently installed 3. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Outdoor Lighting Fixture	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Compliant 2. Product must be permanently installed 3. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Lighting Control	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Compliant <ol style="list-style-type: none"> a. Eligible control types include: b. Automatic Time-Switch c. Daylight/Photo- Sensor d. Dimmer e. Occupant/Motion/Vacancy Sensor 2. Must be installed according to manufacturer specs and all applicable state and local codes 	20
Indoor water Efficiency	High Efficiency Toilet Fixture	<ol style="list-style-type: none"> 1. Product must be listed in the EPA WaterSense product database 2. Toilet and urinals fixtures are eligible 3. Flow rate \leq 1.28 GPF 4. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	High Efficiency Faucet Fitting	<ol style="list-style-type: none"> 1. Product must be listed in the EPA WaterSense product database 2. Flow rate \leq 1.5 GPM 3. Must be permanently installed 4. Must be installed according to manufacturer specs and all applicable state and local codes 	15
	High Efficiency Shower Head	<ol style="list-style-type: none"> 1. Product must be listed in the EPA WaterSense product database 2. Efficiency Database 3. Flow \leq 2.0 GPM 4. Must be installed according to manufacturer specs and all applicable state and local codes 	15

Product Category	Product Type	Product Specifications	Estimated Life (Years)
Indoor water Efficiency	High Efficiency Faucet Fitting	<ol style="list-style-type: none"> 1. Product must be listed in the EPA WaterSense product database 2. Flow rate \leq 1.5 GPM 3. Must be permanently installed 4. Must be installed according to manufacturer specs and all applicable state and local codes 	15
	High Efficiency Shower Head	<ol style="list-style-type: none"> 1. Product must be listed in the EPA WaterSense product database 2. Efficiency Database 3. Flow \leq 2.0 GPM 4. Must be installed according to manufacturer specs and all applicable state and local codes 	15
	Hot water delivery System	<ol style="list-style-type: none"> 1. System meets the definition of one of the following water delivery options: <ol style="list-style-type: none"> a. Dedicated Recirculation Line b. Whole House Manifold System c. Demand-initiated Recirculating System d. Core Plumbing System 2. Must be installed according to manufacturer specs and all applicable state and local codes 	15
Outdoor Water efficiency	High Efficiency Sprinkler Nozzle	<ol style="list-style-type: none"> 1. Product must be listed in the EPA WaterSense product database 2. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Weather-based Irrigation Controller	<ol style="list-style-type: none"> 1. Product must be listed in the EPA WaterSense product database 2. Must be installed according to manufacturer specs and all applicable state and local codes 	10
	Drip Irrigation	<ol style="list-style-type: none"> 1. Product must be installed in turf, garden, planter, or flower bed area 2. Product must be listed in the EPA WaterSense product database 3. Must be installed according to manufacturer specs and all applicable state and local codes 	10

Product Category	Product Type	Product Specifications	Estimated Life (Years)
	Rainwater catchment System	<ol style="list-style-type: none"> 1. Sized to hold \geq 50 gallons at one time 2. Must be permanently installed. 3. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Gray Water System	<ol style="list-style-type: none"> 1. Product must comply with local code and permitting requirements 2. Eligible system types include: <ol style="list-style-type: none"> a. Single-Fixture b. Multi-Fixture Simple (\leq 250 GPD) c. Multi-Fixture Complex ($>$ 250 GPD) 3. Must be installed according to manufacturer specs and all applicable state and local codes 	20
	Artificial Turf	<ol style="list-style-type: none"> 1. Product must be water and air permeable 2. Product must be non-toxic and lead free 3. Product must be recyclable 4. Product installation must carry \geq 10 year warranty 5. Must be installed according to manufacturer specs and all applicable state and local codes 6. Product infill material must be one of the following: <ol style="list-style-type: none"> a. Acrylic Covered Sand b. Crumb Rubber c. Zeolite 	10



NOTICE



STATE OF FLORIDA GOVERNMENT APPROVED Property Assessed Clean Energy

This notice indicates the folio number of your property and the Property Assessed Clean Energy ("PACE") approval for funding of your property. You have the right to improve upon your real property, based on the information below.

Property Address:	Approved Funding: YES Folio #:
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You are receiving this notice because major roof concerns were visually noted this week. As a coordinator for the Pasco County approved program, we can approve anyone with Zero Down and Zero Payment until March 2019, regardless of your credit score or employment status.

Eligibility Requirements:
1. Are you behind on your mortgage?
2. Are you currently going through bankruptcy?

If you answered NO then **CONGRATULATIONS; you can get that New Roof!**

Call today to schedule your install.

"Together We Can Help Make Pasco County A Great Place To Live"

<p>727-232-1668</p> <p>Monday – Friday</p> <p>10am – 8pm</p> <p>PACE COORDINATOR – SUMMITWOOD WORKS, LLC CCC1331248</p>

Exhibit 18

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS

PACE FUNDING GROUP PROGRAM

MASTER ASSIGNMENT AND ASSUMPTION AGREEMENT

This Master Assignment and Assumption Agreement (this “Assignment Agreement”) is made as of _____, 2017 (“Effective Date”), by and between Western Riverside Council of Governments, a joint exercise of powers agency duly organized and existing under the Constitution and laws of the State of California (“Transferor”), and PACE Funding Group, LLC, a California limited liability company (“Transferee”).

WITNESSETH

WHEREAS, pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the “Chapter 29”), the Joint Powers Agreement of the Western Riverside Council of Governments (“Transferor”) originally made and entered into April 1, 1991, as further amended to date (as amended the “JPA”), and separate Implementation Agreements by and between Transferor and its participating member agencies as authorized pursuant to the JPA, Transferor is authorized and proposes to establish a voluntary contractual assessment program to assist property owners within the jurisdictional boundaries of Transferor’s participating member agencies (each, a “Member Agency” and, together, the “Member Agencies”) with the cost of installing distributed generation renewable energy sources or energy or water efficient improvements that are permanently fixed to their property; and

WHEREAS, on March 1, 2010, pursuant to Resolution No. 09-10 (the “Resolution of Intention”), the Executive Committee of the Transferor (the “Executive Committee”) declared its intention to establish a voluntary contractual assessment program to be known as the “WRCOG Energy Efficiency and Water Conservation for Western Riverside County” (the “Program”), pursuant to which WRCOG would enter into contractual assessments to finance the installation of distributed generation renewable energy sources or energy or water efficient improvements within the jurisdictional boundaries of the Member Agencies; and

WHEREAS, the Resolution of Intention ordered the Executive Director to prepare, or direct the preparation of, and file with the Executive Committee a report (the “Program Report”) addressing all of the matters set forth in Section 5898.22 of Chapter 29; and

WHEREAS, on June 7, 2010, pursuant to Resolution No. 13-10 (the “Resolution Confirming Report”), the Executive Committee of the Transferor confirmed the Program Report and established the Program in the Member Agency, subject to the limitations set forth in the Resolution of Intention; and

WHEREAS, pursuant to Chapter 29 and the Resolution Confirming Report, the Transferor is authorized to enter into contractual assessments to finance or refinance the installation of Improvements in the Member Agency, subject to the limitations set forth in the Resolution of Intention; and

WHEREAS, pursuant to Resolution No. 03-11 adopted on July 29, 2011 as subsequently amended, and Resolution No. ____ adopted on October 2, 2017 (the “Resolution of Issuance”), the Executive Committee of the Transferor authorized the issuance of one or more series of limited obligation improvement bonds from time to time pursuant to Chapter 29, the Bond Act and one or more master indentures for the purpose, among others, of financing or refinancing the installation of Improvements; and

WHEREAS, the Transferor has determined to issue its WRCOG PACEfunding Limited Obligation Improvement Bonds, (Series No. ____) (the “Bonds”) in series from time to time as provided in the Master Indenture of Trust, by and between the Transferor and The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, as trustee (the “Trustee”), dated as of _____, 2017 (the “Master Indenture”) for the purpose, among others, of financing or refinancing the installation of Improvements; and

WHEREAS, Transferee acts as a Program Administrator with respect to the Program, and, as such, generates the Assessment Contracts securing the Bonds, which are issued from time to time pursuant to the Master Indenture, as supplemented; and

WHEREAS, Section 5898.28(b) of the Act (i) authorizes Transferor to transfer its right, title, and interest in and to any voluntary contractual assessments, if bonds have not been issued, (ii) authorizes Transferor and any transferee to enter into an agreement that, among other things, identifies the specific period of time during which the transfer of voluntary contractual assessments will be operative, not to exceed three years and (iii) provides that a transfer of any voluntary contractual assessments under this provision shall be treated as a true and absolute transfer of the asset so transferred for the period of the transfer and not as a pledge or grant of a security interest by the public agency for any borrowing; and

WHEREAS, in anticipation of the issuance of Bonds under the Act and pursuant to the Master Indenture, as supplemented, Transferee wishes to enter into this Assignment Agreement to establish an interim financing mechanism for the Assessment Contracts;

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Definitions.** All capitalized terms used in this Assignment Agreement that are not defined herein but are defined in the Master Indenture, shall have the same meanings ascribed to them as in the Master Indenture. The following capitalized terms shall have the following definitions:

“Assessment Contract Bond Issuance Date” means, with respect to any Assessment Contract, the date on which Bonds related to and secured by such Assessment Contract are issued.

“Assignment Date” means, with respect to any Assessment Contract, the period beginning on (and including) the date on which such the Assessment Contract is originated.

“Assignment Term” means with respect to any Assessment Contract, the period beginning on (and including) the Assignment Date and ending on (but excluding) the applicable Assignment Termination Date.

“Assignment Termination Date” means, with respect to any Assessment Contract, the earlier of (i) the Three-Year Anniversary or (ii) the date Bonds related to and secured by such are issued. “Three-Year Anniversary” means, with respect to any Assessment Contract, the third (3rd) anniversary of the Assignment Date of such Assessment Contract (in accordance with Section 5898.28(b) of the Act).

2. Assignment of Pre-Bond Issue Assessment Contracts. Transferor hereby assigns and transfers to Transferee on each Assignment Date with respect to the Assessment Contracts, and Transferee accepts from Transferor, for the Assignment Term, all of Transferor’s right, title, and interest in and to each Assessment Contract. Transferee hereby acknowledges and agrees that the assignment of the Assessment Contracts is only for the Assignment Term, and shall automatically revert back to the Transferor on the applicable Assessment Contract Bond Issuance Date. Further, Transferee acknowledges that in no event shall Transferee or any other entity other than Transferor be permitted to initiate or prosecute any foreclosure action with respect to any Assessment Contract. Transferee also acknowledges and agrees that Transferor has no legal authority to initiate or prosecute any foreclosure action with respect to any Assessment Contract until the Assessment Contract Bond Issuance Date with respect to such Assessment Contract. As of each Assignment Termination Date with respect to any Assessment Contract, Transferee will, without any further action, cease to have any right, title or interest in and to such Assessment Contract.

3. Continuing Assignment. Pursuant to Section 5898(b) of the Act, the assignment of the Assessment Contracts for the Assignment Term pursuant to this Assignment Agreement shall constitute a true and absolute transfer of such Assessment Contracts for the Assignment Term and not a pledge or grant of a security interest by the Transferor for any borrowing, and such assignment shall remain in full force and effect until the Assignment Termination Date applicable to such Assessment Contracts.

The covenants of the Transferor in the previous paragraph are duties imposed by law, and it is the duty of each and every public official of Transferor to take such action and do such things as are required by law in the performance of the official duty of such officials to enable Transferor to carry out and perform such covenants.

4. Representations and Agreements.

(a) Each party represents to and agrees with the other that (i) it has full power and authority to enter into this Assignment Agreement and perform its obligations hereunder in accordance with the provisions hereof, (ii) this Assignment Agreement has been duly authorized, executed and delivered by such party, and (iii) this Assignment Agreement constitutes a legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights generally and by general principles of equity.

(b) Each party represents to and agrees with the other that the execution and delivery of this Assignment Agreement and the consummation of the transactions contemplated hereby will not, in any material respect, conflict with or constitute a breach or default under any agreement or instrument to which such party is a party, or any existing law, regulation, court order or consent decree to which such party is subject.

5. Entirety of Agreement. This Assignment Agreement sets forth the entire understanding of the parties with respect to the transactions contemplated hereby, and merges and supersedes all prior and contemporaneous understandings, representations and warranties with respect to such transactions.

6. Indemnity. Transferee agrees to defend, indemnify and hold harmless Transferor from and against any and all claims, liabilities, obligations, losses, damages and penalties of any kind (including reasonable fees of outside counsel, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) that may be imposed on, incurred by or asserted against the Transferor in any way relating to or arising out of the transfer of any interest in the Assessment Contracts by the Transferee prior to the Assignment Termination Date.

7. Severability. Every provision of this Assignment Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such term or provision shall be enforced to the maximum extent permitted by law and, in any event, such illegality or invalidity shall not affect the validity of the remainder of this Assignment Agreement.

8. Amendment. This Assignment Agreement may be amended, waived or terminated only by a written instrument referencing this Assignment Agreement and signed by the parties to this Assignment Agreement.

9. Counterparts; Signatures. This Assignment Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures may be delivered by electronic means which shall have the same force and effect as the delivery of original signature pages.

10. Further Assurances. To the extent permitted by law, the parties hereto agree that from time to time, they shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered, such further acknowledgments, agreements, supplements and further instruments as may be reasonably required for carrying out the intention of or facilitating the performance of this Assignment Agreement and to do or cause to be done such further acts and things as may be reasonably necessary or appropriate to give effect to the provisions hereof and to confirm intention of the parties under this Assignment Agreement.

11. Headings. The headings of the sections of this Assignment Agreement are for convenience only and shall not be used to interpret or construe this Assignment Agreement.

12. Governing Law. This Assignment Agreement shall be governed by, and construed in accordance with, the law of the State of California, and venue shall be in Sacramento County, California.

(Signature pages follow)

IN WITNESS WHEREOF, Transferor and Transferee have executed this Assignment Agreement by one of its officers thereunto duly authorized, as of the date first above written.

TRANSFEROR:

**WESTERN RIVERSIDE COUNCIL OF
GOVERNMENTS**

By: _____
Authorized Signatory

*-Signature Page-
Western Riverside Council of Governments
PACE Funding Group Program
Master Assignment and Assumption Agreement*

TRANSFeree:

PACE FUNDING GROUP, LLC, a California
limited liability company

By: _____

Name: _____

Title: _____

*-Signature Page-
Western Riverside Council of Governments
PACE Funding Group Program
Master Assignment and Assumption Agreement*

Exhibit 19

WRCOG PROGRAM MASTER BOND PURCHASE AGREEMENT

1. PARTIES AND DATE

THIS MASTER BOND PURCHASE AGREEMENT, dated as of _____, 2017 (the “Master BPA”), is entered into by and between the WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS, a California public agency (“WRCOG”) and PACE Funding Group, LLC, a California limited liability company (“PACEfunding”) to arrange for the sale by WRCOG and the purchase by PACEfunding or its designee of all of the Bonds described below, which are being issued by WRCOG.

2. RECITALS.

2.1 The Executive Committee of WRCOG (the “Executive Committee”) has undertaken proceedings to establish and did thereby establish a voluntary contractual assessment program designated as the Energy Efficiency and Water Conservation Program for Western Riverside County (the “WRCOG Program”) pursuant to the provisions of Chapter 29 of Part 3, Division 7 of the California Streets and Highways Code (commencing at Section 5898.12) (“Chapter 29”), the Joint Powers Agreement of WRCOG originally made and entered into April 1, 1991, as further amended to date (as amended, the “JPA”), and separate Implementation Agreements entered into pursuant to the JPA by and between WRCOG and its member agencies that elected to participate in the WRCOG Program (the “Member Agencies”), to assist owners of residential properties (the “Residential Properties”) within the jurisdictional boundaries such Member Agencies to finance the cost of installation of distributed generation renewable energy sources or energy efficiency or water conservation improvements or electric vehicle charging infrastructure (the “Eligible Products”) that are permanently fixed to the properties of such owners.

2.2 As a part of such proceedings, the Executive Committee did, by the adoption of Resolution No. 09-10 on March 1, 2010, provide that one or more series of bonds would be issued under the Bond Act of 1915, being Division 10 of the Streets & Highways Code of the State of California (the “1915 Bond Act”) (the “Bonds” or “Series of Bonds”) or other financing relationships would be entered for the purpose of financing the installation of Eligible Products.

2.3 As a further part of such proceedings, the Executive Committee initially approved on June 7, 2010, by the adoption of Resolution Number 13-10, and has subsequently amended a report prepared pursuant to and addressing all of the matters set forth in Streets and Highways Code Section 5898.22 and 5898.23 (as amended, the “WRCOG Program Report”), including a map showing the boundaries of the territory within which the voluntary contractual assessments may be offered (the “WRCOG Program Area”), a form of contract specifying the terms and conditions that would be agreed to by an owner of property within such boundaries and WRCOG (each, a “WRCOG Program Assessment Contract”), a statement of policies of WRCOG concerning such voluntary contractual assessments and a plan for raising a capital amount required to pay for the work performed pursuant to the voluntary contractual assessments.

2.4 On June 6, 2016, WRCOG's Executive Committee authorized WRCOG to engage with additional program administrators under the WRCOG Program.

2.5 On _____, 2017, the Executive Committee did, by the adoption of Resolution No. _____ (the "Resolution of Issuance"), authorize the issuance of the Western Riverside Council of Governments Limited Obligation Improvement Bonds (WRCOG Program) PACEfunding (the "Bonds") in one or more series pursuant to Chapter 29, the 1915 Bond Act, Resolution Numbers 08-11, 03-12, 07-12 and 08-13, as amended and supplemented by the Resolution of Issuance, and the use of the proceeds of such bonds to finance the installation of Eligible Products (also referred to in the Resolution of Issuance as "Authorized Improvements") on Residential (as such term is defined in the WRCOG Program Report) parcels that are participating in the WRCOG Programs and are located in the WRCOG Program Area within which such WRCOG Program has been implemented, providing that each such Bond shall be issued pursuant to a Master Indenture (the "Master Indenture"), by and between WRCOG and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the form of which was approved by the Resolution of Issuance, to be supplemented by a Supplemental Indenture, the form of which was approved by the Resolution of Issuance, applicable to the Bond or Bonds identified in such Supplemental Indenture, dated as of the Closing Date (as defined in the Master Indenture) of such Bond or Bonds, entered into by and between WRCOG and the Trustee (each, a "Supplemental Indenture").

2.6 WRCOG and PACEfunding desire and intend to enter into this Master BPA to provide for and establish the terms and conditions pursuant to which WRCOG will sell to PACEfunding and PACEfunding shall purchase from WRCOG the Bonds issued by WRCOG. WRCOG and PACEfunding further desire and intend that this Master BPA shall supercede and replace those provisions of the BPAA pertaining to the purchase by PACEfunding of improvement bonds to be issued by WRCOG pursuant to such BPAA.

3. DEFINITIONS.

Capitalized terms that are used in this Master BPA and not otherwise defined herein shall have the respective meanings ascribed to them in the Master Indenture.

4. PURCHASE AND SALE AND DELIVERY OF THE BONDS.

4.1 Subject to the terms and conditions set forth in this Master BPA and any supplement to this Master BPA entered into by and between the parties hereto (each, a "Supplement to Master BPA"), and in reliance upon the representations, warranties and agreements set forth herein and in any Supplement to Master BPA, PACEfunding hereby agrees to purchase, or cause its designee to purchase (as used herein the term "PACEfunding" shall include any designee thereof), all (but not less than all) of the Bonds, from WRCOG and WRCOG hereby agrees to sell to PACEfunding, when as and if issued, the Bonds associated with the WRCOG Program as administered by PACEfunding or any similar program that the Parties may develop, implement or offer (collectively, the "Programs") in an aggregate principal amount not to exceed \$_____.

WRCOG understands that PACEfunding, before and in reliance upon WRCOG's issuance of Bonds associated with Residential Properties, will be advancing funds to owners of such

Properties (including but not limited to their contractors, equipment suppliers, installers and other service and materials providers) who have sought and who qualify for financing under one of the Programs. Accordingly and in recognition of such reliance, WRCOG agrees promptly and timely, upon receipt of duly executed Notices of Completion, to issue Bonds in the amount of any financing for the Properties PACEfunding and WRCCOG have approved under any such Program.

4.2 WRCOG and the Trustee shall enter into a Supplemental Indenture pertaining to each Bond or Series of Bonds which Supplemental Indenture shall set forth and establish the Closing Date for such Bond or Series of Bonds, the date from which such Bond or Series of Bonds shall bear interest and the dates on which the principal of and interest on such Bond or Series of Bonds shall be payable, the rate of interest per annum payable on such Bond or Series of Bonds, the maturity date of such Bond or Series of Bonds, the redemption provisions pertaining to such Bond or Series of Bonds and the Purchase Price (defined below) for such Bond or Series of Bonds. Each such Supplemental Indenture shall be subject to the approval of PACEfunding and WRCOG.

4.3 Each Bond or Series of Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable and be subject to redemption as provided in, the Master Indenture and the Supplemental Indenture pertaining to such Bond or Series of Bonds.

4.4 The “Purchase Price” of a Bond or Series of Bonds shall be the sum equal to the principal amount of such Bond or Series of Bonds.

4.5 At 10:00 A.M., Pacific Daylight Time, on the Closing Date for each Bond or Series of Bonds, or at such other time as shall be agreed upon by WRCOG and PACEfunding, (i) WRCOG will deliver or cause to be delivered the Bond or Series of Bonds to PACEfunding, duly executed by WRCOG and authenticated by the Trustee as provided in the Master Indenture, (ii) WRCOG will deliver the WRCOG Closing Documents (as designated in Exhibit “H” for delivery by or on behalf of WRCOG) to Bond Counsel at the offices of Bond Counsel or another place to be mutually agreed upon by WRCOG and PACEfunding (the “Closing Location”) and PACEfunding shall accept such delivery and pay the purchase price of the Bond or Series of Bonds in federal funds payable to the order of WRCOG or its designee and deliver PACEfunding’s Closing Documents (as designated in Exhibit “H” for delivery by PACEfunding or such individual or entity to which PACEfunding has assigned its rights hereunder to purchase such Bond or Series of Bonds) to Bond Counsel at the Closing Location. This payment and these deliveries, together with the delivery of the WRCOG Closing Documents and the PACEfunding Closing Documents, are herein called the “Closing.” Each Bond or Series of Bonds shall be made available to PACEfunding for inspection not later than two (2) days before the Closing Date.

5. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF WRCOG. WRCOG represents, warrants and covenants to and agrees with PACEfunding as to each Bond or Series of Bonds that:

5.1 WRCOG is a joint exercise of powers authority duly organized and existing under the Constitution of the State of California (the “Constitution”) and laws of the State of California (the “State”), and has, and at each Closing Date will have, full legal right, power and authority, to adopt the Resolution of Issuance:

5.1.1 to enter into this Master BPA and the Supplement to Master BPA, if any, pertaining to each Bond or Series of Bonds;

5.1.2 to enter into the Master Indenture and the Supplemental Indenture with respect to each Bond or Series of Bonds;

5.1.3 to issue, sell and deliver each Bond or Series of Bonds to PACEfunding as provided herein;

5.1.4 to enter into each Assessment Contract as such term is defined in the Master Indenture and that is identified in a Supplemental Indenture; and

5.1.5 to carry out and consummate the transactions as to each Bond or Series of Bonds on its part contemplated by this Master BPA and the Supplement to Master BPA, if any, the Master Indenture, the Supplemental Indenture and such Bond or Series of Bonds.

As to each Bond or Series of Bonds, this Master BPA, the applicable Supplement to Master BPA, if any, the Master Indenture, the applicable Supplemental Indenture and such Bond or Series of Bonds are collectively referred to herein as the “WRCOG Documents.”

5.2 By all necessary official action of WRCOG, WRCOG has duly authorized and approved the adoption or execution and delivery by WRCOG of, and the performance by WRCOG of the obligations contained in, the WRCOG Documents and the Resolution of Issuance and such authorizations and approvals are and shall, as of each Closing Date, be in full force and effect and have not been amended, modified or rescinded. When executed and delivered by the parties thereto, each Bond or Series of Bonds and the WRCOG Documents will constitute the legally valid and binding obligations of WRCOG enforceable against WRCOG in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally. WRCOG has complied, and as of each Closing Date, shall be in compliance in all respects, with the obligations on its part to be performed on or prior to each Closing Date under the WRCOG Documents.

5.3 The Executive Committee has duly established the Program pursuant to Chapter 29. The Executive Committee has duly authorized the issuance and sale of each Bond or Series of Bonds pursuant to the Resolution of Issuance, adopted by the Executive Committee, the Master Indenture and the applicable Supplemental Indenture.

5.4 WRCOG is not and, as of each Closing Date, will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States of America, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which WRCOG is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument which breach, default or event could have a material adverse effect on WRCOG’s ability to perform its obligations under each Bond or Series of Bonds or the WRCOG Documents; and, as of such times, the authorization, execution and delivery of each Bond or Series of Bonds

and the WRCOG Documents and compliance by WRCOG with the obligations on its part to be performed in each of such agreements or instruments does not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States of America, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which WRCOG (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the WRCOG Documents.

5.5 There is, and as of each Closing Date, there shall be no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body (collectively and individually, an “Action”) pending with respect to which WRCOG has been served with process or to the best knowledge of WRCOG threatened, in which any such Action (i) in any way questions the corporate existence of WRCOG or the titles of the officers of WRCOG to their respective offices, (ii) in any way questions the establishment of the Program or the titles of the Executive Committee of WRCOG, (iii) affects, contests or seeks to prohibit, restrain or enjoin the issuance or delivery of each Bond or Series of Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on each Bond or Series of Bonds, or in any way contests or affects the validity of the WRCOG Documents or the consummation of the transactions on the part of WRCOG contemplated thereby, or contests the exclusion of the interest on any Bond from state income taxation or contests the powers of WRCOG, or its authority, to levy and collect the applicable Assessments, (iv) may result in any material adverse change relating to the financial condition of WRCOG; and as of the time of acceptance hereof and as of each Closing Date, to the knowledge of WRCOG, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

5.6 Each Bond or Series of Bonds, when issued, executed and delivered in accordance with the Master Indenture and the applicable Supplemental Indenture and sold to PACEfunding, will be validly issued and an outstanding limited obligation of WRCOG, entitled to the benefits of the Master Indenture and the applicable Supplemental Indenture and the security of the pledge of the proceeds of the levy of the applicable Assessment or Assessments. The Master Indenture and the applicable Supplemental Indenture create a valid pledge of the moneys in certain funds and accounts established pursuant to such Master Indenture, including the investments thereof subject in all cases to the provisions of such Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

5.7 Each Assessment constituting the security for a Bond has been duly and lawfully authorized and levied under Chapter 29 and the Constitution and the applicable laws of the State, and pursuant to Chapter 29 such Assessment, when levied, will constitute a valid and legally binding lien on the Participating Parcel upon which it has been levied.

5.8 All authorizations, approvals, licenses, permits, consents, elections, and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required by each Closing Date for the due authorization of, or which would constitute a condition precedent to or the absence of which would adversely affect the due performance by WRCOG of its obligations in connection with the WRCOG Documents have been duly obtained or made and are in full force and effect.

5.9 WRCOG will apply the proceeds of each Bond or Series of Bonds in accordance with the Master Indenture and the applicable Supplemental Indenture.

6. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF PACEFUNDING. The obligations of PACEfunding to accept delivery of and pay for each Bond or Series of Bonds on the Closing Date thereof shall be subject, at the option of PACEfunding, to the accuracy in all material respects of the representations and warranties on the part of WRCOG contained herein, as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of WRCOG made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by WRCOG of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

6.1 At each such Closing Date, the WRCOG Documents shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by PACEfunding, and there shall have been taken in connection therewith, with the issuance of each Bond or Series of Bonds and with the transactions contemplated thereby and by this Master BPA, all such actions as, in the opinion of Best, Best & Krieger, LLP, as Bond Counsel for WRCOG, shall be necessary and appropriate;

6.2 Between the date hereof and the Closing Date applicable to each Bond or Series of Bonds, the market price or marketability of such Bond at the prices set forth in the Supplemental Indenture applicable thereto shall not have been materially adversely affected, in the judgment of PACEfunding (evidenced by a written notice to WRCOG terminating the obligation of PACEfunding to accept delivery of and pay for the Bonds), which judgment shall be formed (to the maximum extent reasonably practicable under the circumstances) only after consultation with WRCOG's financial advisor, by reason of any of the following:

6.2.1 legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, or such Bond, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Master Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, or of the Bonds as contemplated hereby or otherwise is or

would be in violation of the federal securities laws, rules or regulations as amended and then in effect;

6.2.2 any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the validity or enforceability of the Assessments or the ability of WRCOG to construct or acquire the improvements as contemplated by WRCOG Documents.

6.3 On each Closing Date, PACEfunding shall have received counterpart originals or certified copies of the following documents, in each case satisfactory in form and substance to PACEfunding:

6.3.1 WRCOG Documents, together with a certificate dated as of the Closing Date of WRCOG Secretary to the effect that each such document is a true, correct and complete copy of the one duly approved by the Executive Committee; provided, however, the Master BPA and the Master Indenture need not be provided so long as such certificate specifies that such document or documents have not be amended since such document or documents were previously received by PACEfunding;

6.3.2 Unqualified approving opinion for each Bond or Series of Bonds delivered on such Closing Date, dated such Closing Date and addressed to WRCOG, of Best Best & Krieger LLP, Bond Counsel for WRCOG, in the form attached as Exhibit A hereto and a reliance letter dated such Closing Date and addressed to PACEfunding, or any assign, affiliate, subsidiary, or any other person or entity and the Trustee that in the form attached as Exhibit B hereto, to the effect that such approving opinion addressed to WRCOG may be relied upon by PACEfunding and the Trustee to the same extent as if such opinion was addressed to them;

6.3.3 Supplemental opinion, dated the Closing Date and addressed to WRCOG, PACEfunding and the Trustee, of Best Best & Krieger LLP, Bond Counsel for WRCOG, in the form attached as Exhibit C hereto;

6.3.4 A certificate, dated such Closing Date and signed by an authorized representative of WRCOG, in substantially the form attached hereto as Exhibit D;

6.3.5 A certificate of the Trustee dated such Closing Date in substantially the form attached hereto as Exhibit E;

6.3.6 An executed copy of the Assessment Contract pertaining to the Participating Property upon which the Assessment securing such Bond has been levied.

6.3.7 A conformed copy of the Notice of Assessment pertaining to the Assessment levied against the Participating Parcel as recorded in the office of the Auditor-County Clerk-Recorder of the County of Riverside (the "County Recorder").

6.3.8 A conformed copy of the Notice of Payment of Assessment Required pertaining to the Participating Parcel as recorded in the office of the County Recorder.

7. CONDITIONS OF WRCOG'S OBLIGATIONS. WRCOG's obligations hereunder as to the sale of any Bond are subject to PACEfunding's performance of their obligations hereunder, and are also subject to the following conditions:

7.1 As of the Closing Date, no litigation shall be pending or, to the knowledge of the duly authorized officer of WRCOG executing the certificate referred to in Section 6.3.4 hereof, threatened, to restrain or enjoin the issuance or sale of such Bond or in any way affecting any authority for or the validity of such Bond or WRCOG Documents or the existence or powers of WRCOG;

7.1.1 As of the Closing Date, WRCOG shall receive the approving opinions of Bond Counsel referred to in Section 6.3.2 and 6.3.3 hereof, dated as of the Closing Date;

7.1.2 Receipt by WRCOG of a duly executed letter of PACEfunding dated as of the Closing Date and in substantially the form attached hereto as Exhibit F;

7.1.3 Receipt by WRCOG of a duly executed certificate of PACEfunding regarding the receipt of the Bond in substantially the form attached as Exhibit G hereto.

8. EXPENSES. Whether or not the Bonds are delivered to PACEfunding as set forth herein:

8.1 The PACEfunding shall be under no obligation to pay, and WRCOG shall pay or cause to be paid (out of the proceeds of each Bond or Series of Bonds all expenses incidental to the performance of WRCOG's obligations hereunder in the following amounts or percentages of the principal amount of each such Bond:

8.1.1 _____% payable to WRCOG as issuer of the Bonds;

8.1.2 _____% payable to David Taussig & Associates as assessment administrator;

8.1.3 _____% payable to Best Best & Krieger LLP as bond counsel;

8.1.4 _____% payable to PACEfunding in payment for the provision by PACEfunding of its Residential HERO Program Administrative Services as defined in and payable pursuant to the WRCOG Program by and between WRCOG and PACEfunding; and in payment for the purchase of the Bonds by PACEfunding.

8.1.5 \$_____ per Bond payable to _____, as Trustee.

8.2 WRCOG shall be under no obligation to pay, and PACEfunding shall pay any and all expenses incurred by PACEfunding, including but not limited to, the fees and disbursements of its counsel pertaining to the issuance of any Bond.

8.3 Neither WRCOG nor PACEfunding shall be under any obligation to pay, and the Placement Agent shall pay, any fees of the California Debt and Investment Advisory Commission pertaining to any Bond.

9. AUTHORITY OF PACEFUNDING TO ISSUE ASSET BACKED SECURITIES AND SELL IMPROVEMENT BONDS.

PACEfunding will purchase the Bonds by utilizing source of funds as PACEfunding may in its discretion elect to utilize. From time to time PACEfunding may elect at its own expense to securitize its interest in Bonds and sell such securities to the investment community or sell any Bond, provided that any such sale is to an Accredited Investor (as such term is defined in Regulation D – Rules Governing the Limited Offer and sale of Securities Without Registration under the Securities Act of 1933, being 17 CFR 230.501 through 230.508) and that all subsequent buyers of such Bond agree to be bound by this provision. No further action or acknowledgment by WRCOG will be required to authorize such securitization or sale by PACEfunding. All fees, costs and liabilities arising directly or indirectly from or associated with PACEfunding’s issuance of asset-backed securities or selling the Bonds, including without limitation costs of issuance and annual disclosure costs, will be borne by PACEfunding.

WRCOG will provide any reasonable assistance requested by PACEfunding, including without limitation, the provision of relevant WRCOG Program data and reports as may be deemed reasonably necessary by PACEfunding for the securitization or other sale of Bonds by PACEfunding. Nothing contained in this paragraph shall, however, require WRCOG to prepare any disclosure documents pertaining to such securitization or other sale of Bonds as may be required pursuant to securities laws and regulations of the federal government or the State of California or any agency, department or office of either such government. The PACEfunding shall pay all reasonable expenses incurred by WRCOG in providing such data and reports.

1. General Provisions.

(a) Termination of Agreement. Should (a) PACEfunding (i) breach one or more of its material obligations as outlined herein or in the PACEFUNDING PROGRAM ADMINISTRATION AGREEMENT (the “Services Contract”) or (ii) fail during any calendar year to purchase Bonds which have met the underwriting guidelines identified in the Program Report applicable to Residential Properties participating in the Program with an aggregate principal amount of \$1 million or more by December 30, 2018 or (b) WRCOG terminate the Services Contract pursuant to the provisions thereof, WRCOG may, by written notice to PACEfunding, terminate the whole or any part of this Master BPA by giving written notice to PACEfunding of such termination, and specifying the effective date thereof, at least thirty (30) days before the effective date of such termination. PACEfunding may, by written notice to WRCOG, terminate this Master BPA for cause which shall include, but not be limited to, the determination by PACEfunding, in the exercise of its reasonable professional judgment after consultation with the WRCOG Representative, that WRCOG cannot reasonably be expected to be able to issue Bonds pursuant to this Master BPA.

(b) Delivery of Notices. All notices permitted or required under this Master BPA shall be given to the respective Parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

PACEfunding: PACEfunding
750 University Avenue, Suite 240
Los Gatos, CA 95032

With copy to:

WRCOG: Western Riverside Council of Governments
1170 W. 3rd St., 2nd Floor
Riverside, CA 92410
Attn: Rick Bishop, Executive Director

and

Best Best & Krieger LLP
3390 University Avenue, 5th Floor
Riverside, CA 92501
Attn: Mrunal Shah

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the Party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

(c) Cooperation; Further Acts. The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Master BPA.

(d) Availability of Injunctive Relief. PACEfunding and WRCOG agree that either PACEfunding or WRCOG may petition a court for provisional relief, including injunctive relief, as permitted by the Rules, including, but not limited to, where either PACEfunding or WRCOG alleges or claims a violation of this Master BPA between WRCOG and PACEfunding. PACEfunding and WRCOG understand that any breach or threatened breach of such an agreement (including this Master BPA) will cause irreparable injury and that money damages will not provide an adequate remedy therefor and both WRCOG and PACEfunding hereby consent to the issuance of an injunction.

(e) Indemnification and Hold Harmless. PACEfunding shall defend, indemnify and hold WRCOG, its officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury, in law or equity, to property or persons, including wrongful death, in any manner arising out of or incident to any alleged negligent or wrongful acts, omissions or willful misconduct of PACEfunding, its officials, officers, employees, agents, consultants, contractors and subcontractors, arising out of or in connection with the performance of the Program Administration Services, the Program or this Agreement, including without limitation the payment of all consequential damages and attorneys'

fees and other related costs and expenses. PACEfunding shall defend, at PACEfunding's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against WRCOG, its directors, officials, officers, employees, agents or volunteers. PACEfunding shall pay and satisfy any judgment, award or decree that may be rendered against WRCOG or its directors, officials, officers, employees, agents or volunteers, in any such suit, action or other legal proceeding. PACEfunding shall reimburse WRCOG and its directors, officials, officers, employees, agents and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. PACEfunding's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the WRCOG, its directors, officials, officers, employees, agents or volunteers. No third party shall be a direct beneficiary of this Section 8(e).

(f) Entire Agreement. This Master BPA contains the entire agreement of the Parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Master BPA may only be modified by a writing signed by both Parties.

(g) Governing Law. This Master BPA shall be governed by the laws of the State of California. Venue shall be in Riverside County.

(h) Time of Essence. Time is of the essence for each and every provision of this Master BPA.

(i) Successors and Assigns. This Master BPA shall be binding on the successors and assigns of the Parties.

(j) Assignment or Transfer. PACEfunding shall not assign, hypothecate, or transfer, either directly or by operation of law, this Master BPA or any interest herein without the prior written consent of WRCOG; provided, however, PACEfunding may assign this Master BPA in connection with the merger or the sale of all or substantially all of its assets provided that the successor entity expressly assumes all of the obligations and confirms all of the representations and warranties of PACEfunding hereunder. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

(k) Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Master BPA, the language of this Master BPA shall be construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not workdays. All references to PACEfunding include all personnel, employees, agents, and subcontractors of PACEfunding, except as otherwise specified in this Master BPA. All references to WRCOG include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Master BPA. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Master BPA.

(l) Amendment; Modification. No supplement, modification, or amendment of this Master BPA shall be binding unless executed in writing and signed by both Parties.

(m) Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

(n) No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

(o) Invalidity; Severability. If any portion of this Master BPA is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

(p) Prohibited Interests. PACEfunding maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for PACEfunding, or independent contractors and consultants engaged by PACEfunding to perform PACEfunding's obligations and duties under this Master BPA to solicit or secure this Master BPA. Further, other than its outside counsel, PACEfunding warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for PACEfunding, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Master BPA. For breach or violation of this warranty, WRCOG shall have the right to rescind this Master BPA without liability. For the term of this Master BPA, no member, officer or employee of WRCOG, during the term of his or her service with WRCOG, shall have any direct interest in this Master BPA, or obtain any present or anticipated material benefit arising therefrom.

(q) Survival of Representations, Warranties and Agreements. The representations, warranties and agreements of WRCOG set forth in or made pursuant to this Master BPA shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of PACEfunding (or statements as to the results of such investigations) concerning such representations and statements of WRCOG and regardless of delivery of and payment for the Bonds.

(r) Equal Opportunity Employment. PACEfunding represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because of race, religion, color, national origin, handicap, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

(s) Authority to Enter Master BPA. PACEfunding has all requisite power and authority to conduct its business and to execute, deliver, and perform the Master BPA. Each Party warrants that the individuals who have signed this Master BPA have the legal power, right, and authority to make this Master BPA and bind each respective Party.

2. Effective. This Master BPA shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by WRCOG and shall be valid and enforceable as of the time of such acceptance.

3. Counterparts. This Master BPA may be executed simultaneously in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have made and executed this Master BPA as of the date first written above.

WESTERN RIVERSIDE COUNCIL OF
GOVERNMENTS

PACE FUNDING GROUP, LLC

By: _____

By: _____

Title: _____,
Chair

Title: _____

EXHIBIT A

FORM OF BOND COUNSEL OPINION

[Closing Date]

Executive Committee
Western Riverside Council of Governments
4080 Lemon Street, 3rd Floor Annex
Riverside, California

Re: Western Riverside Council of Governments
Limited Obligation Improvement Bonds
(WRCOG Program) PACEfunding (Series No. _____)

Bond Counsel Opinion

Ladies and Gentlemen:

We have acted as bond counsel to the Western Riverside Council of Governments (“WRCOG”) in connection with the issuance by WRCOG of those Western Riverside Council of Government Limited Obligation Improvement Bonds (WRCOG Program) PACEfunding (Series No. _____) listed on the attached Schedule I (the “Bonds”). In such capacity we have examined the proceedings taken by WRCOG for the levy of assessments and the authorization and issuance of the Bonds with respect to the WRCOG Program (collectively, the “Program Proceedings”). Additionally, we have examined such law, certifications, and other documents as we have deemed necessary to render this opinion.

The Program Proceedings were taken pursuant to the provisions of Chapter 29 of Part 3, Division 7 of the Streets and Highways Code of the State of California (“Chapter 29”). Each Bond has been issued pursuant to Chapter 29, the Municipal Improvement Act of 1915 (Division 10 of the Streets and Highways Code of the State of California), Resolution No. 08-11 adopted by the Executive Committee of WRCOG (the “Executive Committee”) on January 12, 2011 (the “WRCOG Program Resolution of Issuance”), Resolution No. 03-12 adopted by the Executive Committee on July 29, 2011, Resolution No. ____ adopted by the Executive Committee on April 3, 2016 (collectively, the “Resolutions of Issuance”), Resolution No. ____ adopted by the Executive Committee on _____, 2017, approving the form of a new Master Indenture for the Western Riverside Council of Governments Limited Obligation Improvement Bonds PACEfunding (Series No. _____), the Master Indenture, dated as of _____, 2017 (the “Master Indenture”), by and between WRCOG and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”), and the Supplemental Indenture, dated as of [CLOSING DATE] (the “Supplemental Indenture”), by and between WRCOG and the Trustee, pertaining to the Bonds. Capitalized terms used herein and not defined herein shall have the meanings given such terms in the Master Indenture or the Supplemental Indenture, as appropriate.

As to questions of fact material to our opinion, we have relied upon representations of WRCOG, the certified proceedings and other certifications or documents furnished to the WRCOG or to us, including, without limitation, the Investor Letter dated as of [CLOSING DATE] from [BOND OWNER], without undertaking to verify the same by independent investigation.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, including the default judgments rendered on: July 1, 2011, by the Superior Court of the County of Riverside in the validation action entitled Superior Court of the County of Riverside as *Western Riverside Council of Governments v. All Persons Interested, etc.*, Case No. RIC 1103280 and cover certain matters not directly addressed by such authorities. We call attention to the fact that the opinions contained herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. This opinion is given as of the date hereof and we assume no obligation to revise and supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may thereafter occur.

Based upon the foregoing, we are of the opinion that the Program Proceedings have been undertaken in accordance with the law and the Constitution of the State of California and that the Bonds, having been duly issued, executed and delivered in the manner provided by law, and the Master Indenture and the Supplemental Indenture having been duly authorized and executed by the proper official, constitute the legally valid and binding limited obligations of WRCOG, enforceable in accordance with their terms subject to the qualifications specified below. Each Bond is secured by a first pledge of the Assessment or Assessments, as applicable, securing such Bond levied upon the Participating Parcel or Participating Parcels (except amounts deposited into the Administrative Expense Fund established pursuant to the Master Indenture) as identified and set forth in the Supplemental Indenture and all moneys deposited in the Redemption Fund (including the Capitalized Interest Account and the Prepayment Account therein) established pursuant to the Master Indenture derived from the installments of such Assessment or Assessments, as applicable, or from the prepayment of such Assessment or Assessments, as applicable, received by WRCOG.

We are further of the opinion that interest on the Bonds is exempt from personal income taxes imposed by the State of California, however, we observe that interest on the Bonds is not excludable from gross income for federal income tax under Section 103 of the Internal Revenue Code of 1986 (the "Code"). We express no opinion regarding other federal tax consequences with respect to the Bonds.

Any federal tax advice contained herein with respect to the Bonds is not intended or written to be used, and it cannot be used, for the purpose of avoiding penalties under the Code. The federal tax advice contained herein with respect to the Bonds was written to support the promoting and marketing of the Bonds. Before purchasing the Bonds, all potential purchasers should consult their independent tax advisors with respect to the tax consequences relating to the Bonds and the taxpayer's particular circumstances.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction

and express no opinion as to the enforceability of the choice of law provisions contained in the Indenture.

The rights of the owner of the Bonds and the enforceability of the Bonds, the Master Indenture and the Supplemental Indenture may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principals of equity.

Respectfully submitted,

BEST BEST & KRIEGER LLP

EXHIBIT B

FORM OF RELIANCE LETTER OF BOND COUNSEL

[Closing Date]

Executive Committee
Western Riverside Council of Governments
4080 Lemon Street, 3rd Floor
Riverside, California 92501

[Purchaser of the Bonds]

The Bank of New York Mellon Trust
Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, CA 90071
Attn: Corporate Trust

Re: Western Riverside Council of Governments Limited Obligation Improvement
Bonds (WRCOG Program) PACEfunding (Series No. _____)

RELIANCE LETTER

Ladies and Gentlemen:

We are delivering to you on the date of this letter a copy of our opinion dated [Closing Date] that is attached hereto, and addressed to the Executive Committee of the Western Riverside Council of Governments with respect to the bonds listed on the attached Schedule I (the "Bonds"). This is to confirm that you may rely on that opinion as though it were addressed to you.

Respectfully submitted,

BEST BEST & KRIEGER LLP

EXHIBIT C

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Closing Date]

Executive Committee
Western Riverside Council of Governments
4080 Lemon Street, 3rd Floor Annex
Riverside, California

The Bank of New York Mellon Trust
Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, CA 90071
Attn: Corporate Trust

[Purchaser of the Bonds]

Re: Western Riverside Council of Governments
Limited Obligation Improvement Bonds
(WRCOG Program) PACEfunding (Series No. _____)

Supplemental Opinion of Bond Counsel

Ladies and Gentlemen :

This opinion is rendered in our capacity as bond counsel for Western Riverside Council of Governments (“WRCOG”) and in conjunction with and pertaining to the proceedings conducted by WRCOG for the levy of assessments and the authorization and in connection with the issuance of the Western Riverside Council of Governments Limited Obligation Improvement Bonds (WRCOG Program) PACEfunding (Series No. _____) listed on the attached Schedule I (the “Bonds”), with respect to the WRCOG Program (the “Program”) taken pursuant to the provisions of Chapter 29 of Part 3, Division 7 of the Streets and Highways Code of the State of California (“Chapter 29”) and the sale and delivery of the Bonds by WRCOG pursuant to the provisions of Chapter 29, the Improvement Bond Act of 1915 (Division 10 of the Streets and Highways Code of the State of California) (the “Bond Act”), Resolution No. 08-11 adopted by the Executive Committee of WRCOG (the “Executive Committee”) on January 12, 2011 (the “WRCOG Program Resolution of Issuance”) and Resolution No. 03-12 adopted by the Executive Committee on July 29, 2011, Resolution No. ____ adopted by the Executive Committee on April 3, 2016 (collectively, the “Resolutions of Issuance”), Resolution No. ____ adopted by the Executive Committee on _____, 2017, approving the form of a new Master Indenture for the Western Riverside Council of Governments Limited Obligation Improvement Bonds PACEfunding (Series No. _____), the Master Indenture, dated as of _____, 2017 (the “Master Indenture”), by and between WRCOG and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and the Supplemental Indenture, dated as of

[CLOSING DATE] (the “Supplemental Indenture”), by and between WRCOG and the Trustee, pertaining to such Bonds.

On February 18, 2011, WRCOG filed a judicial validation proceeding pursuant to the provisions of Section 860 *et seq.* of the California Code of Civil Procedure (the “Validation Statute”) in the Superior Court of the County of Riverside (the “Superior Court”) entitled *Western Riverside Council of Governments v. All Persons Interested, et al.*, Case No. RIC 1103280 (the “Validation Action”) to validate the WRCOG Program and all proceedings relating to or leading up to the WRCOG Program, the contractual assessments to be levied by WRCOG and the issuance and sale of limited obligation improvement bonds related thereto. On July 1, 2011, a default judgment was entered in the Validation Action (the “Defaulted Judgment”) in which the Superior Court ordered, judged and decreed, in part, that all proceedings by and for WRCOG in connection with the WRCOG Program, the contractual assessment agreements, and all proceedings related to or leading up to the issuance of such limited obligation improvement bonds, and all matters related thereto, and the execution and delivery of such limited obligation improvement bonds were and are, legal and binding obligations in accordance with their terms and were and are in conformity with all applicable provisions of all laws and enactments at any time in force or controlling upon such proceedings, whether imposed by law, constitution, statute or ordinance, and whether federal, state or local.

Capitalized terms used herein and not defined herein shall have the meanings given such terms in the Master Indenture or the Supplemental Indenture.

As to questions of fact material to our opinion, we have relied upon representations of WRCOG, the certified proceedings and other certifications or documents furnished to the WRCOG or to us, including, without limitation, the Investor Letter, dated as of [CLOSING DATE], from [BOND OWNER], without undertaking to verify the same by independent investigation.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, including the Default Judgments, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof.

As used in this opinion, the phrase “current actual knowledge” means knowledge of facts or other information that is in the conscious awareness of lawyers currently in our firm who have performed legal services for WRCOG. Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. WRCOG is duly created and validly existing as a joint exercise of powers authority organized and existing under the Constitution and laws of the State of California.
2. WRCOG has full legal power and lawful authority to adopt the Resolutions of Issuance and approve and enter into the Master Indenture and the Supplemental Indenture, and the Resolutions of Issuance, Resolution No. _____, the Master Indenture, the Supplemental Indenture and such Bonds were duly approved by the Executive Committee of

WRCOG.

3. The execution of the Supplemental Indenture relating to the Bonds is authorized and permitted by the terms of the Master Indenture and that all conditions precedent to the execution of the Supplemental Indenture have been met.

4. Each Bond has been duly authorized, issued, executed and delivered by WRCOG and constitutes the legal, valid and binding agreement of WRCOG, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer and other laws affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by the application of equitable principles and the exercise of judicial discretion in appropriate cases. The Master Indenture and the Supplemental Indenture have been duly authorized, executed and delivered by WRCOG, and, assuming due authorization, execution and delivery where applicable by the other parties thereto, constitute the legal, valid and binding agreements of WRCOG, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer and other laws affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by the application of equitable principles and the exercise of judicial discretion in appropriate cases.

5. The Validation Action was duly filed and the Default Judgments duly entered in accordance with all applicable, laws, rules and regulations of the State of California.

6. Notice of the Validation Action was duly made in accordance with the Validation Statute and the order of the Superior Court.

7. The Default Judgment is final and in full force and effect

8. Pursuant to its terms and the Validation Statute, the Default Judgments are, notwithstanding any other provisions of law, forever binding and conclusive, as to all matters adjudicated or which could have been adjudicated, against all persons interested, and such Default Judgments shall permanently enjoin the institution by any person of any proceeding raising any issue as to which the judgments are binding and conclusive.

9. Each Assessment, as specified in the Supplemental Indenture, has been duly and validly authorized in accordance with the laws of the State of California and a lien to secure payment of such Assessment has been imposed on the applicable Participating Parcel.

10. The lien of each Assessment is coequal to and independent of the lien for general taxes, and, except as provided in Government Code Section 53936, not subject to extinguishment by the sale of the property on account of the nonpayment of any taxes, and prior and superior to all liens, claims and encumbrances except: (a) the lien for general taxes or *ad valorem* assessments in the nature of and collected as taxes levied by the State of California, the County of Riverside or the city, special district or other local agency, if any, within which the applicable Participating Parcel is located; (b) the lien of any special assessment or assessments the lien date of which is prior in time to the lien date of such Assessment; (c) easements constituting servitudes upon or burdens to the applicable Participating Parcel; (d) water rights, the record title to which is held separately from the title to the applicable Participating Parcel;

and (e) restrictions of record. The lien of each Assessment has the same priority as the lien for general taxes or *ad valorem* assessments in the nature of and collected as taxes levied by the State of California, the County of Riverside or the city, special district or other local agency, if any, within which the applicable Participating Parcel is located.

11. To our actual knowledge, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body (except for the Validation Actions) is pending or threatened, in any way affecting the existence of WRCOG or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Master Indenture and the Supplemental Indenture, the collection or application of the Assessments pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Assessments, the Bonds, the Master Indenture, the Supplemental Indenture, any other applicable agreements, or any action of the WRCOG contemplated by any of those documents, or in any way contesting the powers of the WRCOG or its authority with respect to the Bonds, the Master Indenture, the Supplemental Indenture, any other applicable agreements, or any action of the WRCOG contemplated by any of those documents, or which would adversely affect the exemption of interest on the Bonds from California personal income taxation; nor to our actual knowledge, is there any basis for any of the foregoing actions.

12. The Programs, the Assessment Contracts, the levy of the Assessments and the issuance of the Bonds do not violate the prohibition against “impairing the obligation of contracts” as provided in the United States Constitution, Article I, Section 10, clause 1, or the California Constitution, Article I, Section 9, do not constitute a taking of a pre-existing lender’s property and do not constitute a taking of private property without due process of law in violation of the Fifth and Fourteenth Amendments to the United States Constitution or the California Constitution, Article I, Section 19.

13. The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Master Indenture and the Supplemental Indenture are exempt from qualification under the Trust Indenture of 1939, as amended.

The opinions expressed above do not constitute a guarantee of the outcome of any particular litigation, and there can be no assurance that no action may be taken in federal or state court challenging the constitutionality of Chapter 29 and/or the Bond Act relating to the Bonds. Furthermore, given the lack of judicial precedent directly on point, and the novelty of the transactions pertaining to Chapter 29, the Programs and/or the Bonds, the outcome of any such litigation cannot be predicted with certainty. In the event of any claim and/or action which adversely impacts the rights of the holder of the Bonds, costly and time-consuming litigation could ensue, adversely affecting, at least temporarily, the price and liquidity of the Bonds.

The opinions set forth herein is intended for the information solely of the addressees hereof and is not to be relied upon by any other person or entity, or for any other purpose, or quoted as a whole or in part, or otherwise referred to, in any document, or to be filed with any governmental or other administrative agency or other person or entity for any purpose without our prior express written consent. We do not undertake to advise you of matters that may come to our attention subsequent to the date hereof that may affect the opinions expressed herein.

Respectfully submitted,

BEST BEST & KRIEGER LLP

EXHIBIT D

OMNIBUS CERTIFICATE OF WRCOG

Name and address of purchaser of Bond The Bank of New York Mellon Trust
Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, CA 90071
Attn: Corporate Trust

Re: Western Riverside Council of Governments
 Limited Obligation Improvement Bonds
 (WRCOG Program)
 PACEfunding (Series No. _____)

The undersigned hereby certifies that he is an Authorized Representative of the Western Riverside Council of Governments (“WRCOG”) and that the undersigned is authorized to execute this Omnibus Certificate of WRCOG on behalf of WRCOG in connection with the issuance of the Western Riverside Council of Governments Limited Obligation Improvement Bonds (WRCOG Program) PACEfunding (Series No. _____) listed on the attached Schedule I (the “Bonds”). All capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Master Indenture, dated as of _____, 2017 (the “Master Indenture”), by and between WRCOG and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

1. The Western Riverside Council of Governments (“WRCOG”) is a joint exercise of powers authority duly organized and existing under the Constitution of the State of California (the “Constitution”) and laws of the State of California (the “State”), and has, and at the Closing Date will have, full legal right, power and authority, for and on behalf of the Member Agencies:

- (a) to adopt the Resolutions of Issuance;
- (b) to enter into the Master Bond Purchase Agreement, dated as of _____, 2017 (the “Bond Purchase Agreement”), by and between WRCOG and PACEfunding LLC (“PACEfunding”);
- (c) to enter into the Master Indenture, dated as of _____, 2017 and the Supplemental Indenture, dated as of [CLOSING DATE], (the “Supplemental Indenture”), by and between WRCOG and the Trustee with respect to the Bonds;

(d) to issue, sell and deliver the Bonds to [BOND OWNER] as provided herein;

(e) to enter into the Assessment Contract for each Participating Parcel as identified in the Supplemental Indenture; and

(f) to carry out and consummate the transactions on its part contemplated by the Bond Purchase Agreement, the Master Indenture, the Supplemental Indenture, the Bonds and the Assessment Contracts.

The Bond Purchase Agreement, the Master Indenture, the Supplemental Indenture and the Assessment Contracts are collectively referred to herein as the “WRCOG Documents.”

2. By all necessary official action of WRCOG, WRCOG has duly authorized and approved the adoption or execution and delivery by WRCOG of, and the performance by the WRCOG of the obligations on its contained in, the Bonds, the WRCOG Documents and the Resolutions of Issuance and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. The Bonds and, when executed and delivered by the parties thereto, the WRCOG Documents will constitute the legally valid and binding obligations of WRCOG enforceable against WRCOG in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally. WRCOG has complied, and will at the Closing (as such term is defined in the Bond Purchase Agreement, be in compliance in all respects, with the obligations on its part to be performed on or prior to the Closing Date under the Bonds and the WRCOG Documents.

3. The Executive Committee has duly established the Programs pursuant to the Resolutions Confirming Program Report and Chapter 29. The Executive Committee has duly authorized the issuance and sale of the Bonds pursuant to Resolutions of Issuance, adopted by the Executive Committee, the Master Indenture and the Supplemental Indenture.

4. As of the Closing Date, WRCOG is not or will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States of America, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which WRCOG is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument which breach, default or event could have an adverse effect on WRCOG’s ability to perform its obligations under the Bonds or the WRCOG Documents; and, as of such times, the authorization, execution and delivery of the Bonds and the WRCOG Documents and compliance by WRCOG with the obligations on its part to be performed in each of such agreements or instruments does not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States of America, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which WRCOG (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of

any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the WRCOG Documents.

5. As of the Closing Date there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body (collectively and individually, an “Action”) pending with respect to which WRCOG has been served with process or to the best knowledge of WRCOG threatened, in which any such Action: (i) in any way questions the corporate existence of WRCOG or the titles of the officers of WRCOG to their respective offices; (ii) in any way questions the establishment of the Programs or the titles of the Executive Committee of WRCOG; (iii) affects, contests or seeks to prohibit, restrain or enjoin the issuance or delivery of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contests or affects the validity of the WRCOG Documents or the consummation of the transactions on the part of WRCOG contemplated thereby, or contests the exclusion of the interest on the Bonds from state income taxation or contests the powers of WRCOG, or its authority, to levy and collect the Assessments; and (iv) may result in any material adverse change relating to the financial condition of WRCOG; and as of the time of acceptance hereof and as of the Closing Date, to the knowledge of WRCOG, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

6. The Bonds, when issued, executed and delivered in accordance with the Indenture and sold to [BOND OWNER], will be validly issued and an outstanding limited obligation of WRCOG, entitled to the benefits of the Master Indenture and the Supplemental Indenture and the security of the pledge of the proceeds of the levy of the applicable Assessments identified in the Supplemental Indenture. The Indenture creates a valid pledge of the moneys in certain funds and accounts established pursuant to such Indenture, including the investments thereof subject in all cases to the provisions of such Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

7. Each Assessment constituting security for the applicable Bond has been duly and lawfully authorized and levied under Chapter 29 and the Constitution and the applicable laws of the State, and pursuant to Chapter 29 such Assessment, when levied, will constitute a valid and legally binding lien on the Participating Parcel upon which it has been levied.

8. All authorizations, approvals, licenses, permits, consents, elections, and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required by the Closing Date for the due authorization of, or which would constitute a condition precedent to or the absence of which would adversely affect the due performance by WRCOG of its obligations in connection with the WRCOG Documents have been duly obtained or made and are in full force and effect.

9. WRCOG will apply the proceeds of each of the Bonds in accordance with the Master Indenture and the Supplemental Indenture.

Respectfully submitted,

By: _____
Authorized Representative

EXHIBIT E

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
LIMITED OBLIGATION IMPROVEMENT BONDS

(WRCOG Program)

PACEfunding

(Series No. _____)

Certificate of Trustee

I, an authorized signer of The Bank of New York Mellon Trust Company, N.A. (“BNY Mellon”), the Trustee under the Master Indenture, dated as of _____, 2017 (the “Master Indenture”), by and between Western Riverside Council of Governments (the “Issuer”) and BNY Mellon, and the Supplemental Indenture, dated as of [CLOSING DATE] (the “Supplemental Indenture”), by and between the BNY Mellon, as Trustee and Issuer related to the bonds listed in the attached Schedule I (the “Bonds”), hereby certify the following information. Capitalized terms used but not defined herein shall have the meanings set forth in the Master Indenture.

(a) BNY Mellon is a national banking association duly organized, validly existing and in good standing under the laws of the United States and is authorized to execute the Master Indenture and Supplemental Indenture (collectively, the “Transaction Documents”), and accept the trust and perform its obligations under the Transaction Documents.

(b) The individuals listed on the attached Exhibit A are duly authorized to execute the Agreement and are the duly elected and qualified incumbents of the office set forth opposite his or her name.

(c) The Bonds dated the date hereof and provided for by the Transaction Documents have been authenticated by Authorized Officers of BNY Mellon.

(d) The Bonds have, on or before this date, been delivered by BNY Mellon to or upon the Issuer Order.

IN WITNESS WHEREOF, The Bank of New York Mellon Trust Company, N.A. has caused this certificate to be executed in its name by a duly authorized officer, as of the [CLOSING DATE].

DATED:

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

By: _____
Title:

EXHIBIT F

LETTER OF PURCHASER

Western Riverside Council of Governments
4080 Lemon Street
3rd Floor, MS 1032
Riverside, California 92501-3609
Attention: Executive Director

The Bank of New York Mellon Trust
Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, CA 90071
Attn: Corporate Trust

Re: Western Riverside Council of Governments
Limited Obligation Improvement Bonds
(WRCOG Program)
PACEfunding
(Series No. _____)

Ladies and Gentlemen:

The undersigned (the “Investor”) proposes to purchase the limited obligation improvement bonds as listed on the attached Schedule I (the “Bonds”) from the Western Riverside Council of Governments (“WRCOG”). Capitalized terms used in this Investor Letter and not otherwise defined herein shall have the meanings ascribed to such terms in the Master Indenture, dated as of _____, 2017 (the “Master Indenture”), by and between WRCOG and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

In connection with the sale of the Bonds to the Investor, the Investor hereby makes the following representations upon which you may rely:

2 The Investor has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

3 The Investor is an “accredited investor” under Regulation D of the Securities Act of 1933 and, therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

4. The Bonds are being acquired by the Investor for investment and not for more than one account or with a view to distribution of the Bonds, except as provided for in paragraph 8 below. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

5. The Investor understands that the Bonds are not registered under the 1933 Act and that such registration is not legally required as of the date hereof; and further understands that the Bonds: (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state; (b) will not be listed on any stock or other securities exchange; (c) will not carry a rating from any rating service; and (d) will be delivered in a form which may not be readily marketable.

6. The Investor understands that: (a) the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision thereof and that WRCOG has no taxing power; (b) the Bonds do not and will not represent or constitute a general obligation or a pledge of the faith and credit of WRCOG, the State of California or any political subdivision thereof; and (c) the liability of WRCOG with respect to each Bond is limited to first priority perfected security interest granted in the applicable Assessment and all other Collateral securing such Bond and all moneys deposited in the Redemption Fund (including the Capitalized Interest Account, the Assessment Collection Account and the Prepayment Account therein) are derived from the issuance of the Bonds, the installments of such Assessments or from the prepayment of such Assessment received by WRCOG as set forth in the Indenture.

7. The Investor acknowledges that it has either been supplied with or been given access to such information, to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning WRCOG, the Programs, the Assessment Contract, the Assessments, the Participating Parcels, the Master Indenture, the Supplemental Indenture, the Bonds and the security therefor, and the Side Letter Agreement so that, as a reasonable investor, the Investor has been able to make its decision to purchase the Bonds.

8. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds. The Investor, with assistance of counsel, has reviewed the Bonds, the Master Indenture and the Supplemental Indenture. The Investor acknowledges, consents and agrees to all terms of such documents including, without limitation, the provisions relating to the redemption of the Bonds and the sale of Assessment Security Interests in Assessments securing the Bonds as provided for in the Master Indenture.

9. The Investor acknowledges that it has the right to sell and transfer the Bonds, in accordance with the terms of the Master Indenture and the Supplemental Indenture, subject to the delivery to the Trustee of a letter from the transferee, in the form attached to the Master Indenture as Exhibit C, with no material revisions except as may be approved in writing by WRCOG. Failure to deliver such letter shall cause the purported transfer to be null and void.

The Investor acknowledges that it has received a copy of the Side Letter Agreement and agrees and obligates itself to provide a copy of the Side Letter Agreement to any subsequent purchaser or assignee of the Bonds.

10. The Investor understands that neither the members, directors, officers, employees, or agents of the WRCOG, nor any person executing the Bonds, the Master Indenture or the Supplemental Indenture, shall be subject to any personal liability or accountability by reason of or in connection with the issuance, offering, execution, and delivery of the Bonds.

11. The Investor has obtained what it considers adequate information regarding WRCOG, the Programs, the Assessment Contracts, the Assessments, the Participating Parcels, the Master Indenture, the Supplemental Indenture and the Bonds to make an informed investment decision to purchase the Bonds. Except as set forth in the Indenture, the Investor acknowledges that WRCOG and its agents, representatives and attorneys are under no duty to provide, and the Investor acknowledges that it is not entitled to receive, (i) any additional information regarding WRCOG, the Programs, the Assessment Contract, the Assessments, the Participating Parcels, the Master Indenture, the Supplemental Indenture or the Bonds, or (ii) an update to the information previously provided by such persons to the Investor; provided, however, that such acknowledgement does not extend to information provided by WRCOG, its agents, representatives and/or attorneys that would have the effect of correcting, (a) any untrue statement of a material fact made in the Bonds, the Master Indenture or the Supplemental Indenture or in any of the other information provided to the Investor by WRCOG or its agents, representatives or attorneys, or (b) any omission of a material fact necessary to make a statement made in such documents not misleading in light of the circumstances under which it was made.

[BOND OWNER]

By: _____
Authorized Representative

EXHIBIT G

RECEIPT FOR BONDS

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
LIMITED OBLIGATION IMPROVEMENT BOND
(WRCOG Program)
PACEfunding
(Series No. _____)

Receipt is hereby acknowledged of the Western Riverside Council of Governments Limited Obligation Improvement Bonds (WRCOG Program) PACEfunding (Series No. _____) listed on the attached Schedule I (the "Bonds") by [BOND OWNER] (the "Purchaser"), as the initial purchaser of such Bonds.

The undersigned hereby states and certifies on behalf of the Purchaser that the Purchaser has received on this date from The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), under the Master Indenture, dated as of _____, 2017 (the "Master Indenture"), by and between the Trustee and the Western Riverside Council of Governments ("WRCOG"), as supplemented by the Supplemental Indenture pertaining to the applicable Bond, dated as of [CLOSING DATE] (the "Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), by and between the Trustee and WRCOG, such Bonds, as authenticated and delivered by the Trustee pursuant to the Indenture.

The undersigned further states and certifies that all certificates, opinions and agreements requested by the Purchaser as the assignee of PACEfunding ("PACEfunding") under the Master Bond Purchase Agreement, dated _____, 20__ (the "Bond Purchase Agreement"), between PACEfunding and WRCOG, have been delivered and that all conditions precedent for the Purchaser to accept delivery of such Bonds under the Master Bond Purchase Agreement and the Indenture have been met or waived.

Dated: [CLOSING DATE]

[BOND OWNER]

By: _____
Authorized Representative

Exhibit 20

INSTR 5567887 OR 5519 PG 119 E-RECORDED 6/8/2018 1:13 PM PAGES 8
DWIGHT E. BROCK, CLERK OF THE CIRCUIT COURT, COLLIER COUNTY FLORIDA
REC \$69.50

This Instrument prepared by
after recording return to:

Weiss Scrota Helfman, et. al.
2525 Ponce de Leon Blvd., Suite 700
Coral Gables, Florida 33134
Attn: Chad S. Friedman, Esq.

COVER PAGE TO

**INTERLOCAL AGREEMENT FOR THE PREPARATION
AND SUBMISSION OF THE GREEN CORRIDOR
PROPERTY ASSESSMENT CLEAN ENERGY DISTRICT
NON-AD VALOREM ASSESSMENT ROLL AND THE
RELATED UNIFORM COLLECTION AND
ENFORCEMENT THEREOF
(COLLIER COUNTY)**

**INTERLOCAL AGREEMENT FOR THE PREPARATION AND SUBMISSION OF
THE GREEN CORRIDOR PROPERTY ASSESSMENT CLEAN ENERGY DISTRICT
NON-AD VALOREM ASSESSMENT ROLL AND THE RELATED UNIFORM
COLLECTION AND ENFORCEMENT THEROF**

RECITALS

WHEREAS, Pursuant to Section 163.08(1), Florida Statutes, the legislature determined that access to financing for certain renewable energy, energy efficiency and conservation and wind resistance improvements ("Qualifying Improvements") through voluntary assessment programs such as the Property Assessed Clean Energy ("PACE") program provides a special benefit to real property by alleviating the property's burden from energy consumption and/or reducing the property's burden from potential wind damage; and

WHEREAS, In order to make such Qualifying Improvements more affordable and assist property owners who wish to undertake such improvements, the legislature also determined that there is a compelling state interest in enabling property owners to voluntarily finance such Qualifying Improvements with the assistance of local governments, through the execution of financing agreements and the related imposition of voluntary, non-ad valorem special assessments; and

WHEREAS, on August 6, 2012, the Green Corridor Property Assessment Clean Energy District, (hereinafter the "District") was created as a separate legal entity pursuant to Section 163.01(7), Florida Statutes, to finance Qualifying Improvements in accordance with Section 163.08, Florida Statutes as set forth in the Amended and Restated Interlocal Agreement recorded in the Official Records of Miami-Dade County, Florida at Book 28217 Page 312; and

WHEREAS, The District is a separate legal entity pursuant Section 163.01(7), Florida Statutes, and a "Local Government" as defined in Section 163.08(2)(a), Florida Statutes; and

WHEREAS, Pursuant to Section 163.08(3), Florida Statutes, the District is authorized to levy voluntary non-ad valorem special assessments against real properties within the District's aggregate legal boundaries for the costs of Qualifying Improvements financed through the District by the owners of such properties; and

WHEREAS, The District by appropriate resolution has expressed its intent to use the uniform method of levy, collection and enforcement of non-ad valorem assessments as provided in section 197.3632, Florida Statutes, under which assessments are included on an assessment roll and certified as mergeable and in a compatible electronic medium tied to the property identification number, by the Property Appraiser's office for the District's certification to the Tax Collector for merging with the ad valorem tax roll, for collection pursuant to Section 197.3635, Florida Statutes, and for sale of tax certificates and tax deeds under the non-payment provisions of the ad valorem tax laws (the "Uniform Method"); and

WHEREAS, The Honorable Larry H. Ray, is the Collier County Tax Collector (hereinafter, "TAX COLLECTOR"), and therefore the County Constitutional Officer charged, as agent of the State, with the collection and enforcement of any ad valorem taxes

and non-ad valorem assessments including but not limited to those levied by the County, the School Board and municipalities and any special districts within the County; and

WHEREAS, The Honorable Abe Skinner, is the Collier County Property Appraiser (hereinafter, "PROPERTY APPRAISER"), and therefore the County Constitutional Officer charged with determining the value of all property within the County, and with maintaining certain records connected therewith, specifically including the name of the owner, address and legal description of parcels of property on the tax rolls, and with providing certain services and information to taxing authorities under Section 197.3632, Florida Statutes; and

WHEREAS, Section 163.08, 197.3631, 197.3632, Florida Statutes, provide that the DISTRICT may arrange for the collection and enforcement of non-ad valorem special assessments by TAX COLLECTOR on the official tax notice as certified to the TAX COLLECTOR by the PROPERTY APPRAISER'S OFFICE as mergeable upon receipt by the DISTRICT from the PROPERTY APPRAISER of the name, address and legal description of each applicable parcel; and

WHEREAS, Chapter 197, Florida Statutes, authorizes the DISTRICT, the PROPERTY APPRAISER and TAX COLLECTOR to enter into an Agreement regarding the reimbursement of necessary administrative costs incurred by the PROPERTY APPRAISER and TAX COLLECTOR in performance of the acts contemplated therein; and

WHEREAS, pursuant to Section 197.3631 and Section 197.3632, Florida Statutes, the PROPERTY APPRAISER may provide additional services for the DISTRICT over and above the requirement to provide name, address and legal for each parcel of land upon which the non- ad valorem assessment is to be levied, and be reimbursed accordingly; and

WHEREAS, the duty to certify the non-ad valorem assessment roll is in the Executive Director of the DISTRICT or his/her designee; and

WHEREAS, the use of the uniform non-ad valorem assessment methodology is more fair, more efficient and more accountable than the other alternatives available; and

WHEREAS, the TAX COLLECTOR, PROPERTY APPRAISER and DISTRICT are agencies of the State within the meaning of Chapter 197 and 163, Florida Statutes, and desire the joint powers which each will exercise separately under the terms of this Agreement; and

WHEREAS, pursuant to Chapter 197 and Chapter 163, Florida Statutes, there is ample statutory authority for interlocal and interagency agreements between the TAX COLLECTOR, PROPERTY APPRAISER and the DISTRICT; and

WHEREAS, the TAX COLLECTOR and the PROPERTY APPRAISER agree to provide the services of their respective offices for the non-ad valorem assessments involved as set forth in statutory law, applicable rules, as amended, and in this Agreement; and

WHEREAS, the DISTRICT desires to accept the services of the TAX COLLECTOR and PROPERTY APPRAISER as provided in this Agreement and by state law, and further agrees to fulfill its duties and responsibilities under law and pursuant to this Agreement.

WHEREAS, pursuant to Florida Statute 197.3632(5)(a), the DISTRICT agrees to both prepare and the PROPERTY APPRAISER agrees to certify as mergeable and the DISTRICT agrees to certify using FORM DR-408A or its successor in function the non-ad valorem assessment roll to the TAX COLLECTOR by the 15th of September of each calendar year in compatible electronic medium tied to the property identification number.

NOW, THEREFORE, the DISTRICT, PROPERTY APPRAISER and TAX COLLECTOR hereby agree as follows:

1. Commencing with the District's 2018-2019 fiscal year, and all subsequent years, except as provided in paragraph six (6), the PROPERTY APPRAISER shall list, prepare, submit and certify as mergeable to the TAX COLLECTOR by September 15th, on compatible electronic medium tied to the property identification number, the non-ad valorem assessment roll as certified by the DISTRICT using Form DR-408A or its successor in function pursuant to Florida Statutes 197.3632, and that the District shall comply with all applicable provisions of Chapter 197, Florida Statutes, and related rules, including, but not limited to, compliance with all advertisements and notices required in the election to use the non-ad valorem assessment methodology, levying and roll adoption (subsequent years).
2. Pursuant to expressed authority in Section 197.3632 and 192.091(b)(2), Florida Statutes, the TAX COLLECTOR shall be compensated at the rate of two percent (2%) of the non-ad valorem assessments collected as compensation for all costs of the TAX COLLECTOR, which two percent (2%) shall be withheld by the TAX COLLECTOR as payment prior to distribution to the DISTRICT of funds collected. In the event that exigent factual circumstances require a separate mailing for the DISTRICT Non-Ad Valorem Assessments, pursuant to section 197.3632(7), Florida Statutes, the DISTRICT will bear all costs of such a mailing.
3. The DISTRICT hereby agrees to compensate the PROPERTY APPRAISER for all necessary administrative costs as defined in section 197.3632(2), Florida Statutes, incurred in filling both statutory and contractual duty of the PROPERTY APPRAISER under this Agreement and the DISTRICT shall compensate the PROPERTY APPRAISER at the rate of one and one-half percent (1.5%) of the non-ad valorem assessment collected for setting up the non-ad valorem or special assessment roll and, annually thereafter, the amount of one and one-half percent (1.5%) of the non-ad valorem assessment collected for the maintenance of each benefit unit (parcel of property).
4. If the actual costs of performing these services by the PROPERTY APPRAISER exceed the compensation referenced in paragraph three (3) above, then the PROPERTY APPRAISER will be compensated the actual cost of performing such services.
5. The parties to this Agreement agree to consult and cooperate as necessary and practical for the efficient and timely listing, preparation, submissions, certification, collection and enforcement against delinquencies of the DISTRICT's non-ad valorem or special assessment rolls and levies including provision by the DISTRICT to the other parties of any staff assistance reasonably necessary, and required to affect the

purposes of this Agreement.

6. The term of this Agreement shall commence with the District's 2018-2019 non- ad valorem assessment rolls and shall continue and extend uninterrupted from year to year from the effective date as indicated below unless a notice of termination shall be issued by any party. A notice of termination shall be in writing and shall be delivered not less than ninety (90) days in advance of the commencement of the next fiscal year of the DISTRICT save and except during those years when the DISTRICT in timely fashion notifies the TAX COLLECTOR and the PROPERTY APPRAISER that it needs to collect and enforce the assessment pursuant to other provisions of law. Upon termination, the DISTRICT shall continue to reimburse the TAX COLLECTOR pursuant to paragraph 2 and the PROPERTY APPRAISER pursuant to paragraphs 3 & 4 for any parcels already in the program.
7. In performing the services herein specifically provided, neither the TAX COLLECTOR nor the PROPERTY APPRAISER is in any way, express or implied, direct or indirect, responsible for proposing, imposing or levying any non-ad valorem special assessment and/or for determining whether such special or non-ad valorem assessment levied by the DISTRICT is authorized, constitutional, legal and valid and the DISTRICT acknowledges that it is solely the responsibility of the DISTRICT to levy such assessments and to make sure they are authorized, legal, valid and constitutional.
8. This Agreement shall become effective upon the signing of the Agreement by the TAX COLLECTOR, the PROPERTY APPRAISER, and the DISTRICT, and with the appropriate filing with the Clerk of the Circuit Court of Collier County, Florida, and shall supersede any and all prior Agreements.

EXECUTED this 25th day of May, 2018

THE GREEN CORRIDOR PROPERTY ASSESSMENT
CLEAN ENERGY DISTRICT

Witness *Lisa Demery*
Print: Lisa Demery

By: *Paul Winkeljohn*
Paul Winkeljohn, Executive Director

Witness *Margy Phillips*
Print: Margy Phillips

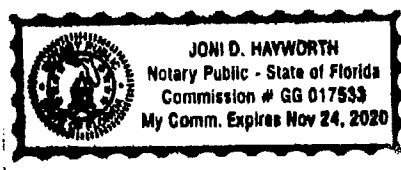
STATE OF FLORIDA

COUNTY OF Broward

The foregoing instrument was acknowledged before me this 25th day of May, 2018 by Paul Winkeljohn, as Executive Director of The Green Corridor Property Assessment Clean Energy District, who is personally known to me or who has produced _____ Identification.

Joni D. Hayworth
Signature of Person Taking Acknowledgement

(Affix Seal)



JONI D. HAYWORTH
Name of Acknowledger Typed, Printed, or Stamped

Title or Rank

Serial Number, if any

My Commission expires:

COLLIER COUNTY PROPERTY APPRAISER

Vickie A. Downs
Witness

By: Abbe Skinner
ABE SKINNER

Vickie A. Downs Printed
Name

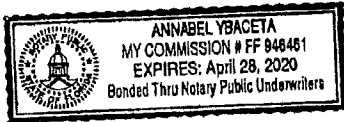
Annabel Ybaceta
Witness

Annabel Ybaceta Printed
Name

STATE OF FLORIDA

COUNTY OF COLLIER

The foregoing instrument was acknowledged before me this 16th day of May, 2018 by ABE SKINNER, as Property Appraiser for Collier County, Florida, who is personally known to me or who has produced Identification.



(Affix Seal)

Annabel Ybaceta
Signature of Person Taking Acknowledgement

Annabel Ybaceta
Name of Acknowledger Typed, Printed, or Stamped

Director of Exemptions
Title or Rank

FF 946461
Serial Number, if any

My Commission expires: 4-28-2020

Exhibit 21

UNIFORM COLLECTION AGREEMENT GREEN CORRIDOR PROPERTY ASSESSMENT CLEAN ENERGY (PACE) DISTRICT

THIS AGREEMENT is made and entered into this 22 day of October, 2018, by and between the Green Corridor Property Assessment Clean Energy (PACE) District, a separate legal entity and local government under Section 163.01(7) and 163.08(2)(1), Florida Statutes, whose address is 5385 Nob Hill Road, Sunrise, Florida 33351 (the "District") and the Honorable Mike Fasano, Tax Collector in and for Pasco County, Florida, whose address is West Pasco Government Center, 8731 Citizens Drive, Room 120 (P.O. Box 276), New Port Richey, Florida 34654 (Dade City, Florida 33526-0276) (hereinafter referred to as "Tax Collector") in accordance with Section 163.08, Florida Statutes, as amended (the "Florida PACE Act").

SECTION I

FINDINGS AND DETERMINATIONS

The parties find and determine:

1. District is a public body corporate and politic within the State of Florida, established pursuant to Chapter 163, Part I, Florida Statutes, created for purposes set forth in and is authorized by Section 163.08, Florida Statutes, and upon the positive resolutions of the Pasco County Commission and other local governments that have joined or may join the District (such as the City of Port Richey and Zephyrhills) within Pasco County authorizing an Interlocal agreement with the District to fund, finance, impose and to levy certain non-ad valorem assessments within the unincorporated areas of Pasco County and certain municipalities in Pasco County, and by appropriate Resolution has or will timely express its intent to use the statutory uniform methodology form of collection thereof ("Assessments"), as authorized and required by the District's Interlocal Agreement and Sections 163.08, 197.3631, 197.3632 and 197.3635, Florida Statutes, and Rule 12D-18, Florida Administrative Code, all as amended.

2. The term "Assessments" means those certain impositions and levies by the District which constitute non-ad valorem assessments for (i) energy conservation and efficiency improvements, (ii) renewable energy improvements, and (iii) wind resistance improvements which are qualifying improvements as defined in Section 163.08(2)(b), Florida Statutes.

3. With respect to the District, but none other, the District certifies these "Assessments" have been determined with respect to the District (i) to constitute a valid and enforceable lien permitted by Article X, Section 4 of the Florida Constitution, (ii) to be of equal dignity to taxes and other non-ad valorem assessments, (iii) are indistinguishable from and fully equivalent to all other non-ad valorem assessments providing for the payment of costs of capital projects, improvements, and/or essential services which benefit property in furtherance of a public purpose, and (iv) are apportioned to the affected properties fairly and reasonably. The District hereby certifies it will and shall in all respects comply with Section 163.08, Florida Statutes.

4. Pursuant to Section 163.08(3), Florida Statutes, the District is authorized and required by law to use the uniform statutory collection methodology as provided in Section 197.3632, Florida Statutes, and Rule 12D-18, Florida Administrative Code ("uniform methodology"), with its enforcement provisions, including the use of tax certificates and tax deeds for enforcing against any delinquencies.

5. The Legislature has effectively determined the uniform methodology is more fair to the delinquent property owner and has not authorized the traditional lien foreclosure methodology for any Assessments imposed pursuant to Section 163.08, Florida Statutes; and

6. The uniform methodology provides for more efficiency of collection by virtue of the Assessment being collected using the official tax notice issued by the Tax Collector which will produce positive economic benefit locally.

7. The uniform methodology, through use of the official tax notice of the Tax Collector, serves to eliminate confusion and better promote local government accountability.

8. The Tax Collector carries out his duties under the statutory administration supervised by the Department of Revenue pursuant to general law, including Chapter 197, Florida Statutes, and related rules and regulations, and including Rule 12D-18, Florida Administrative Code, to fulfill the assessment and collection

laws and rules associated with the uniform methodology for the collection of the Assessments.

9. Notwithstanding any final judicial validation or certification presented to the Tax Collector, the sole and exclusive responsibility to assess, to impose and to levy the Assessments, and to determine that they are legal, constitutional and lienable non-ad valorem assessments, is that of the District and no other person, entity or officer.

SECTION II APPLICABLE LAW AND REGULATIONS

1. Sections 163.01, 163.08, 197.3631, 197.3632 and 197.3635, Florida Statutes; Rule 12D- 18, Florida Administrative Code; and all other applicable provisions of constitutional and statutory law and related rules as amended, or their successors in function, and the District's Interlocal Agreement govern the exercise by the District of its power to arrange for collection of non-ad valorem assessments.

2. Section 1(d), Article VIII, Florida Constitution; Chapter 197, Florida Statutes; Rule 12D-13, Florida Administrative Code; Rule 12D-18, Florida Administrative Code; and all other applicable provisions of constitutional and statutory law apply to the Tax Collector and the Property Appraiser (in their capacity as the State Constitution's sovereign official or, if applicable, in a charter county where the constitution's county offices have been abolished by charter) under the supervision of the Florida Department of Revenue for the purpose of noticing, billing, merging, collecting and enforcing non-ad valorem assessments imposed and levied by the District.

3. Section 197.3631, Florida Statutes, constitutes supplemental general law authority for District to levy non-ad valorem assessments for the improvements, infrastructure and related facilities and services only in the most exigent circumstances.

4. Section 197.3632, Florida Statutes, and Rule 12D-18, Florida Administrative Code, have provisions that apply to both the District and to Tax Collector, as well as, to the Department of Revenue and the Property Appraiser in and for the County.

SECTION III PURPOSE

The purpose of this Agreement under Rule 12D-18, Florida Administrative Code, is to establish the terms and conditions under which the Tax Collector shall use 197.3632 to collect and to enforce the collection of those certain non-ad valorem special assessments as required by law, the "Assessments" imposed and levied by District to include: (1) compensation by District to the Tax Collector for actual costs of collection pursuant to Section 197.3632(8)(c), Florida Statutes; (2) payment by District of any costs involved in separate mailings in the remote event of non-merger of any non-ad valorem special assessment roll as certified by the Chair of the District Board of Directors or his or her designee, pursuant to Section 197.3632(7), Florida Statutes; and (3) reimbursement by District for necessary administrative costs, including, but not limited to, those costs associated with personnel, forms, supplies, data processing, computer equipment, postage and programming which attend all of the collection and enforcement duties imposed upon the Tax Collector by the uniform methodology, as provided in Section 197.3632(2), Florida Statutes.

SECTION IV TERM

The term of this Agreement shall commence upon execution, effective for the 2018 and subsequent tax notice purposes, and shall continue and extend uninterrupted from year-to-year, automatically renewed for successive periods not to exceed one (1) year each, unless District shall inform the Tax Collector, as well as Property Appraiser and the Department of Revenue, by January 10 of each calendar year, if District intends to discontinue to use the uniform methodology for such Assessments pursuant to Section 197.3631(6), Florida Statutes and Rule 12D-18.006(3), Florida Administrative Code, using form DR-412 promulgated by the Florida Department of Revenue. Tax Collector may terminate this Agreement at any time for cause.

SECTION V
DUTIES AND RESPONSIBILITIES OF DISTRICT

District agrees and covenants to:

1. Compensate the Tax Collector for actual collection costs incurred pursuant to Section 197.3632(8)(c), Florida Statutes and 12D-18.004(2), Florida Administrative Code.
2. Reimburse Tax Collector for necessary administrative costs for the collection and enforcement of the Assessments by the Tax Collector under the uniform methodology, pursuant to Section 197.3632(2), Florida Statutes, and Rule 12D-18.004(2), Florida Administrative Code, to include, but not be limited to, those costs associated with personnel, forms, supplies, data processing, computer equipment, postage and programming.
3. Pay for or alternatively reimburse the Tax Collector for any separate tax bill (not the tax notice) necessitated by the inability of the Tax Collector to merge the non-ad valorem special assessment roll as certified by District pursuant to Section 197.3532(7), Florida Statutes, and Rule 12D-18.004(2) Florida Administrative Code.
4. District, upon being billed timely, shall pay directly for necessary advertising relating to implementation of the uniform non-ad valorem special assessment law pursuant to Sections 197.3632 and 197.3635, Florida statutes, and Rule 12D-18.004(2), Florida Administrative Code.
5. By September 15 of each calendar year, the Chair of the District Board of Directors, or her or his designee, shall certify, using DR Form 408, to the Tax Collector, the non-ad valorem assessment roll on compatible electronic medium, tied to the property parcel identification number provided by the Property Appraiser to the Department of Revenue. District or its agent on behalf of District shall post the non-ad valorem special assessment for each parcel on the said non-ad valorem assessment roll of the District and shall exercise its responsibility that such non-ad valorem assessment roll be free of error and omissions. (Section 197.3632(10), Florida Statutes, and Rule 12D-18.006, Florida Administrative Code.) District shall also provide a report to the Tax Collector detailing the number of remaining payments due on each assessment.
6. District shall cooperate with the Property Appraiser and Tax Collector, and abide by and implement its duties under Section 163.08, and the uniform provisions of Sections 197.3632 and 197.3635, Florida Statutes, or its successor in function and all applicable rules promulgated by the Department of Revenue and all successor rules.
7. District acknowledges that the Property Appraiser and Tax Collector have no duty, authority or responsibility in the imposition and levy of any non-ad valorem assessments, including the District's assessments authorized by general law or otherwise, and that it is the sole responsibility and duty of District to follow all procedural and substantive requirements for the imposition and levy of constitutionally lienable non-ad valorem assessments, including the Assessments. In the event of any action to challenge the imposition and levy of any non-ad valorem assessments, including the District's assessments authorized by general law or otherwise or any matter associated with the procedural or substantive requirements for the imposition and levy of constitutionally lienable non-ad valorem assessments, including the Assessments, the District shall promptly consult with counsel and otherwise act to timely seek the removal or dismissal of the Tax Collector and Property Appraiser from such action.

SECTION VI
DUTIES OF THE TAX COLLECTOR

The Tax Collector agrees and covenants to:

1. Timely merge the legally certified "Assessment" roll of the District with all other non-ad valorem assessment rolls, if certified timely, and merge subsequent said rolls with the Property Appraiser's tax roll, certified to the Tax Collector by the Property Appraiser; prepare a collection roll; and prepare a combined notice (the tax notice) for both ad valorem taxes and non-ad valorem assessments for all imposing and levying local governments within the county political subdivision, including general purpose and special purpose, pursuant to Sections 163.08, 197.3632 and 197.3635, Florida Statutes, and its successor provisions, and any applicable rules, and their successor rules, promulgated by the Department of

Revenue, and in accordance with any specific resolutions adopted by District, so long as said resolutions shall themselves, each and every one, state intent clearly to ask the Tax Collector to use the uniform methodology of collecting such assessments and so long as they are, further, not inconsistent with, or contrary to, the provisions of Sections 163.08, 197.3632 and 197.3635, Florida Statutes, and their successor provisions, and any applicable rules.

2. Collect the Assessments of District, as certified by the Chair of the District Board of Directors or her or his designee, to the Tax Collector no later than September 15 of each calendar year on compatible electronic medium, tied to the property identification number for each parcel, and in the format used in July by the Property Appraiser for the ad valorem tax rolls submitted to the Department of Revenue, using, DR Form 408, and free of errors or omissions; and mergeable.

3. The Tax Collector shall not accept any non-ad valorem assessment roll for the Assessments of District that is not certified to the Tax Collector officially, timely and legally, pursuant to Chapter 197, Florida Statutes, and Rule 12D-18, Florida Administrative Code.

4. The Tax Collector agrees to cooperate with District, including its designated third party administrator, and trustee in implementation of the uniform methodology for collecting Assessments pursuant to Sections 163.08, 197.3632 and 197.3635, Florida Statutes, and any successor provisions and applicable rules.

5. If the Tax Collector discovers error or omissions on such roll, Tax Collector may request District to file a corrected roll or a correction of the amount of any assessment and District shall bear the cost of any such error or omission.

6. If Tax Collector determines that a separate mailing of a tax bill (not the tax notice) is authorized pursuant to Section 197.3532(7), Florida Statutes, and any applicable rules promulgated by the Department of Revenue, and any successor provision to said law or rules, the Tax Collector either shall mail a separate bill of the particular non-ad valorem assessment ("Assessments") or direct District to mail such a separate bill. In making this decision, the Tax Collector shall consider all costs to District and to the property owners assessed, the ramifications of such a separate mailing, as well as the adverse effect to the property owners assessed and the taxpayers of the County generally of delay in resorting to multiple notices. If such a separate mailing is effected, District shall bear all costs associated with the separate notice for the non-ad valorem special assessment that could not be merged, upon timely billing by the Tax Collector.

7. The Tax Collector will timely, periodically and properly distribute monies collected in the manner required by law, and is authorized to deduct the reimbursements as provided in Section VII hereof associated with each non-ad valorem assessment and the aggregate of the amount of non-ad valorem assessments collected associated with each periodic distribution. The Tax Collector, except in the most exigent circumstances, will provide for such distribution and document the amounts collected, the amounts deducted, all the amounts paid to the District directly.

SECTION VII

REIMBURSEMENT AND COMPENSATION

1. District shall reimburse Tax Collector for necessary administrative costs and compensate Tax Collector for collection costs as set forth in Section V, paragraphs 1. and 2. hereof and in the manner provided in this Section VII.

2. The Tax Collector shall be reimbursed and compensated in the manner provided by law at the rate of 2% (two percent) of the amount of each non-ad valorem assessment levied by the District and collected by the Tax Collector on each year's tax roll, unless limited by statute. Unless otherwise agreed by the parties, such amounts may be deducted at the time of remittance of the proceeds collected by the Tax Collector for each non-ad valorem assessment.

SECTION VIII

CONSUMER PROTECTION AND COMMUNICATION

1. The District as a part of its standard operating procedures will provide in advance of each financing a written disclosure of the details of the Special Assessment and other pertinent disclosures, with the mailing address, telephone and email contact information for the District to address on-going consumer communications; and the District will ask that at all times that County officials, the Property Appraiser, and Tax Collector use the same information to refer all communications to the District's third party administrator, counselors and professionals prepared and ready to address such communications.

2. District recognizes that there may be ongoing consequences and risk that some lenders may require full repayment of the Assessments upon resale or refinancing of a property subject to the assessments, and the District covenants to include in its standard operating procedures and provide advance written disclosure of such consequences, possibilities and risk to all property owners prior to imposing any Assessment. In addition, if the District elects to offer its program to property owners with existing bans held by lenders that may have required, or threatened to require, full repayment of the Assessments, the District agrees to provide non-financial assistance to any such property owner that is required to repay the entire Assessment (if the property owner requests such assistance and such assistance is reasonably available to the District), including information gathering on the subject, counseling, and providing the property owner, to the extent available, with a list of lenders that better understand the program or will not require full repayment of the Special Assessment, as well as proactively look for other alternatives to assist. Upon request from the Tax Collector and with the permission of the property owner, the District agrees to provide electronic copies of actual disclosure documentation. In the event permission is not given from a property owner, the District will update and provide the form of disclosure currently being employed to the Tax Collector.

3. For quality control purposes, the District desires, and the District covenants to continue to develop, implement and employ policies, systems and procedures which are within industry standards; with such standards being reasonably expected to change and evolve over time. An ongoing positive and informal line of communication between staff and agents for the parties is encouraged. At any time, notwithstanding lack of default or lack of material breach hereunder, the Tax Collector is encouraged to objectively and specifically communicate to the District in writing as provided for herein any concerns, suggestions or disapproval with performance, policies, systems or procedures being employed by the District. The District through its administrator, Executive Director, or a duly authorized designee, will promptly respond in writing to all such communications (reasonably within fifteen (15) days of receipt of any such written communication, but sooner if necessary) and follow-up accordingly, and, also promptly communicate any such response, follow-up, and all related communication to the District's Board for review. This paragraph shall not be construed as containing any obligation for the Tax Collector to receive complaints or concerns about the District's performance policies, systems or procedures, and the Tax Collector is requested to and specifically authorized to refer all such complaints or concerns directly to the District for a response.

4. **Property Owner Disclosure.** Prior to execution of a financing agreement for an Assessment, Property Owner(s) wishing to participate in Pasco County PACE programs will be provided with a copy of the Disclosure document attached hereto as "Exhibit A" (the "Disclosure").

- a. **Execution of Disclosure.** The Disclosure must be signed and dated by the Property Owner(s), their selected contractor, and the District. The District's signature may be pre-signed on the Disclosure.
 - i. **Processing of Disclosure.** After execution, the Disclosure shall be sent by the District to Tax Collector and Pasco County Property Appraiser at the email address: disclosures@pascotaxes.com. The Tax Collector and Pasco County Property Appraiser shall provide any new email address to the District for submittal of the Disclosure at least seven (7) days in advance of any change.
 - ii. The Tax Collector shall generate an automatic electronic confirmation for receipt of the Disclosure allowing the project approval process to proceed upon receipt of this automatic confirmation.
- b. **Multiple Assessments.** Through the Disclosure, Property Owner(s) shall be asked to identify if they have entered into, or are currently entering into, any other PACE assessment on the property.
- c. **Execution of PACE Financing Agreement.** The financing agreement for the Assessment may be executed by the District upon receipt of the automatic electronic confirmation from the Tax Collector for the Disclosure.
 - i. A 3-day right to cancel shall commence with the execution of the Financing Agreement.

- ii. The Tax Collector's office may provide any other comments to the PACE Provider regarding the Disclosure within the 3-day right to cancel period.

SECTION X

GENERAL

1. The parties shall perform all their obligations under this Agreement in accordance with good faith and prudent practice. If neither the Property Appraiser, nor District nor both shall follow procedures for roll preparation and roll certification set forth in Section 197.3632, Florida Statutes, and Rule 12D-18, Florida Administrative Code, then this Agreement may be terminated unless the District and the Property Appraiser and the District and Tax Collector enter into alternative provisions authorized in their respective and local agreements with the District. So far as those alternative agreements regarding the Tax Collector are concerned, if the District contracts with the Property Appraiser to prepare the District's non-ad valorem assessment roll and/or if the Chair of the District Board of Directors designates the Property Appraiser in writing to certify the roll to the Tax Collector in accordance with applicable law and rule, then it shall remain the duty of the Tax Collector to merge the roll upon timely certification by September 15. If the Property Appraiser because of technology and convenience merges the roll, it shall be done only pursuant to an expressed written agreement between the Property Appraiser and the Tax Collector by which the Tax Collector does not convey away the power to merge but delegates the limited expressed exercise of it to the Property Appraiser under the supervision of the Tax Collector.

2. The parties to this Agreement are constitutional or charter officers or governmental entities all with sovereign immunity. The Tax Collector, to the extent provided by law, shall defend, save, and hold harmless the District from any and all legal actions, claims, or demands by any person or legal entity against the District arising out of any negligent act of the Tax Collector's officers, employees, servants, or agents associated with the subject matter of this Agreement. The District, to the extent provided by law, shall defend, save, and hold harmless the Tax Collector from any claims or demands by any person or legal entity against the Tax Collector arising out of any negligent act of District's officers, employees, servants, or agents resulting from the subject matter of this Agreement. However, nothing contained herein shall constitute a waiver of any or either party's sovereign immunity in any respect or of the limitations as set forth in Section 768.28, Florida Statutes, or its successor in function.

3. This Agreement constitutes the entire agreement between the parties with respect to the subject matter contained herein and may not be amended, modified or rescinded, unless otherwise provided in this Agreement, except in writing and signed by the parties hereto. Should any provision of this Agreement be declared to be invalid, the remaining provisions of this Agreement shall remain in full force and effect, unless such provision is found to be invalid or alter substantially the benefits of the Agreement for either of the parties or renders the statutory and regulatory obligations performable.

4. This Agreement shall be governed by the laws of the State of Florida. This Agreement may be executed in counterparts, each of which shall be considered an original. A facsimile copy of the Agreement and any signatures hereon shall be considered for all purposes as originals.

5. Written notice shall be given to the parties at the addresses stated above, or such other place or person as each of the parties shall designate by similar notice.


[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereunder set their hands and seals and have caused these presents to be signed by their duly authorized officers.

ATTEST:



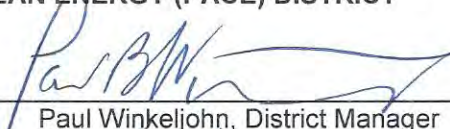
PASCO COUNTY TAX COLLECTOR

By: 
Mike Fasano, Tax Collector
Date: 10/22/18

ATTEST:



GREEN CORRIDOR PROPERTY ASSESSMENT
CLEAN ENERGY (PACE) DISTRICT

By: 
Paul Winkeljohn, District Manager
Date: 10/17/18

**PASCO COUNTY PROPERTY ASSESSED CLEAN ENERGY
UNDERSTANDING PACE - THINGS YOU SHOULD KNOW ABOUT PARTICIPATING
IN THE RESIDENTIAL PACE (PROPERTY ASSESSED CLEAN ENERGY) PROGRAM**

What is the Residential PACE program?

PACE or Property Assessed Clean Energy Program is a government sponsored program that is used in Florida to finance energy efficiency improvements, renewable energy improvements and wind resistance improvements.

Is the PACE program free for me?

The PACE Program is not free. To participate in the program, you must qualify for the PACE funds that finance the improvements. You owe the amount of the PACE lien plus interest, which is paid in installments as an additional line item on your property tax bill. When the assessment is paid off in full, the lien will be removed and you will no longer see this line item on your property tax bill.

How do I qualify for the financing?

The law requires that to qualify you must have paid all your property taxes and not have been delinquent for the last 3 years, that there are no involuntary liens on your home and no notices of default, and that you are current on your mortgage. The PACE Program is not required to look at whether your family budget can afford the additional payments on your property tax bill.

How do I repay the PACE funds?

The PACE Program funds are paid with your property tax assessment. If you have a mortgage, your lender may include the property taxes in your monthly payment. If so, your monthly mortgage payment will increase accordingly. However, your mortgage lender will typically not make the adjustment until they receive the first tax bill with the assessment.

Do I pay interest for the financing?

PACE Programs charge interest over the repayment term you selected (up to 30 years). Please review the Financing Estimate to see the interest rate applicable to your PACE assessment, which may be higher than other financing options available to you. You should ask about any low interest loans available, like utility sponsored programs, federal weatherization programs or a lower rate loan at your bank or credit union with a second mortgage or a home equity line of credit.

Are there other costs?

PACE Program assessments also charge borrowers an up-front fee, typically based on a percentage of project costs, and an administration fee based on a percentage of the annual payment, which is payable each year during the repayment term you selected. Please review the Financing Estimate to see the fees applicable to your PACE assessment.

What happens if I am not happy with the improvements?

A licensed contractor must do all PACE Program improvements requiring a license under applicable law. However, your recourse against the contractor if you are not happy with the improvements may be limited by the nature of the PACE Program

financing. That is why it is important to carefully select the contractor and read all paperwork carefully.

For energy improvements, does the contractor have to give me an energy audit?

The law does not require any verification of energy savings for improvements to your home financed through a PACE Program. Any figures about energy savings given to you by a contractor should be independently verified by you.

What happens if I have trouble making the increased tax payment?

If you default on your PACE Program obligations by failing to pay your property taxes, a tax certificate will be sold on the property. After two years of an unpaid tax certificate, your home could be sold through the Tax Deed Application process.

Can I refinance my home while I still am making payments to the PACE Program?

PACE Program liens may impede your ability to refinance your home loan or to receive a home loan modification because some lenders will not want to enter into new loan terms while a PACE Program lien is assessed against your home. You may be required to prepay the PACE assessment as a requirement to refinancing.

Can I sell my home before I have paid off the PACE Program lien?

The PACE Program lien is automatically transferred to the buyer when you sell your home. BUT Fannie Mae, Freddie Mac and the Federal Housing Administration the Department of Veterans Affairs may not insure mortgages with PACE assessments. Other lenders are not required to accept PACE Program liens. As a result, you may be required to prepay the PACE assessment as a requirement to selling your home.

What is the most important thing I can do to protect myself?

Take your time before you sign. Ask for and read any documentation relating to the PACE Program financing. Make sure you ask for a printed copy and don't sign anything that seems too complex or confusing.

**MAKE SURE YOU ASK FOR A PRINTED COPY OF ALL DOCUMENTS TO READ
BEFORE YOU ALLOW ANYONE TO WORK ON YOUR HOME.**

I have read the above and I understand the information provided to me. I also understand there are other financing options possibly available. I also acknowledge there are other PACE contractors I may choose from.

Signature Page Follows

Please initial **one** of the following:

1. I _____ (Property Owner(s)) attest that I have disclosed that I have entered into a PACE assessment at this property and seek to add an **additional assessment** which will not exceed the statutory requirements of the PACE program for this project.

OR

2. I _____ (Property Owner(s)) attest that I **have not previously undertaken another PACE assessment or entered into a PACE Financing Agreement** at this property and that I am **not currently in the process of entering into a PACE Financing Agreement** with another PACE provider.

Only complete for Emergency HVAC:

3. I _____ (Property Owner(s)) attest that this is an emergency repair or replacement of a furnace, air conditioner, boiler, mini split, or other system that regulates the temperature of my home.

Please sign the following:

Full Legal Name: _____

Phone Number (optional): () - _____

Physical Address: _____

Parcel Number: _____

Estimated Annual Payment: \$ _____

Total Assessment Amount: \$ _____

Total Length of Assessment in Years: _____

Estimated Tax Year First Payment Due: _____

Signature: _____

This form must be signed and filed with the Pasco Property Appraiser with a copy to the Pasco Tax Collector prior to the execution of the Financing Agreement.

Approved PACE Contractor: _____

Signature: _____

PACE Program: _____

Signature: _____

HERO Funding 2018-1 Class A Notes

\$187,800,000 Property Assessed Clean Energy (PACE) Bond Backed Notes

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Executive Summary

This pre-sale report is based on information regarding the underlying Property Assessed Clean Energy (“PACE”) assessments and the terms of the securitization as of May 10, 2018. This report does not constitute a recommendation to buy, hold, or sell securities. Kroll Bond Rating Agency’s (KBRA) preliminary rating represents timely payment of interest and full payment of principal by the transaction’s legal final maturity date.

Rated Notes							
Class	Amount	Interest Rate	Payment Frequency	Expected Maturity Date	Legal Maturity Date	Advance Rate	Preliminary KBRA Rating
Class A1 Notes	\$0	[TBD]%	Semi-Annual	September 2043	September 2048	97.00%	AA (sf)
Class A2 Notes	\$187,800,000	[TBD]%	Semi-Annual	September 2043	September 2048	97.00%	AA (sf)
Class B Notes	\$17,000,000	[TBD]%	Semi-Annual	September 2043	September 2048	NA	NR
Total	\$204,800,000						

KBRA has analyzed this transaction using the [Global General Rating Methodology for Asset-Backed Securities](#) published on November 28, 2017. PACE assessments fall within Category 1: Financial Assets. The key determinants considered in the rating outcome are: a structural and legal analysis of the transaction; the treatment of PACE assessments as special assessments having lien priority on par with senior tax liens; and the creditworthiness of the Counties acting as servicers.

Transaction Overview

The Class A1 Notes and Class A2 Notes (together, the “Class A Notes”) are secured by an Initial PACE Bond Portfolio and a Subsequent PACE Bond Portfolio (together, the “PACE Bond Portfolio”), each consisting of limited obligation improvement bonds and special assessment revenue bonds (each, a “PACE Bond”) issued by the Western Riverside Council of Governments (“WRCOG”), the County of Los Angeles, California (“LA County”), California Statewide Communities Development Authority (“CSCDA”) and Missouri Clean Energy District (“MCED”, and together with WRCOG, LA County, and CSCDA, the “PACE Bond Issuers”). The Initial PACE Bond Portfolio comprises 168 PACE Bonds with an aggregate principal balance of approximately \$154.9 million and is secured by 6,547 PACE assessments levied against 6,332 residential properties (“PACE Assessments”) in 55 counties with 43 in California and 12 in Missouri. The average PACE Assessment is approximately \$23,658 with an average annual payment of approximately \$2,590. The Subsequent PACE Bond Portfolio is expected to consist of PACE Bonds with an aggregate principal balance of \$38.7 million. The transaction benefits from credit enhancement in the form of excess spread, overcollateralization, and a liquidity reserve. Under all circumstances the Class A1 Notes and Class A2 Notes are pari passu with respect to the Priority of Payments.

The Class A Notes have been designated as Green Bonds.

Transaction Parties: Class A Notes	
Issuer	HERO Funding 2018-1 (“HERO 2018-1”)
Transferor	HERO Funding, LLC
Administrator / Portfolio Administrator	DMS Bank & Trust Ltd.
ABS Note Trustee / Custodian	The Bank of New York Mellon Trust Company, N.A.
Co-Managers / Initial Purchasers	Morgan Stanley & Co. LLC and Jefferies LLC
Sole Structuring Agent / Sole Book Runner / Initial Purchaser	Barclays Capital Inc.

Transaction Parties: PACE Bond Portfolio	
PACE Bond Issuers	Western Riverside Council of Governments ("WRCOG") County of Los Angeles, California ("LA County") California Statewide Communities Development Authority ("CSCDA") Missouri Clean Energy District ("MCED")
Assessment Administrator	David Taussig & Associates, Inc. ("DTA")
Program Administrator	Renovate America, Inc.
Counties	43 Counties in the State of California 12 Counties in the State of Missouri (See Collateral Overview section for more detail.)
PACE Bond Trustee	Deutsche Bank National Trust Company, The Bank of New York Mellon Trust Company, N.A.

Key Credit Considerations

Characteristics of PACE Assessments

PACE assessments are payable in equal semi-annual installments in California or annually in Missouri, **together with the property owner's *ad valorem* real estate taxes.** Under California and Missouri law, PACE assessments have equal lien priority with real estate taxes and other special assessments and are senior to all non-tax liens, including mortgages.

Generally, the amount of a PACE assessment is small compared to the value of the related property. The maximum initial lien-to-value ("**LTV**") for PACE assessments included in HERO 2018-1 is approximately 19.77%. PACE assessments constitute liens against the entire property, not just the specific improvement installed and funded under the PACE program. The assessment remains with the property, irrespective of any intervening sales, until it is fully paid.

There is no acceleration of the assessment in the event of foreclosure and default. Unlike in the case of residential mortgages where the entire loan balance would be due at foreclosure, only current amounts and the amounts in arrears on a PACE assessment, including fees and penalties, are due. The purchaser of the property out of foreclosure is required to continue making the payments on the assessment once the property is taken over. As a result, the amount at risk when a property owner fails to pay is not the full amount of the assessment but only the assessment installment amount that is in arrears.

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Regulatory Inquiry Concerning Undisclosed Payment Assistance

Renovate America, the program administrator, has recently been subject to an informal SEC request for production relating to certain practices involving customer service payment assistance for homeowners. Renovate America is complying with the voluntary request. Such payments are instances of first payment support for homeowners who may not have fully understood the terms of their obligations, incorrect payment amounts for prepayments or final payments, payment assistance for settling disputes regarding **contractor's work, and payment assistance with the settlement of disputes with respect** to certain fees. Renovate America has now disclosed this information and KBRA has performed additional diligence on the Company. As part of its ongoing surveillance, KBRA **will continue to monitor Renovate America's policies and procedures regarding customer service payment assistance, consumer disclosures and contractor management.** KBRA

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will factor these variables into its ratings assignment. (See Key Credit Consideration entitled "Heightened Regulatory Scrutiny" below).

Transaction Structure

KBRA believes the transaction benefits from sufficient credit enhancement and a structure that accelerates principal payments to the rated notes upon weakening asset performance.

HERO 2018-1 utilizes an amortization schedule that sets a minimum threshold for the amount of amortization required on the notes on each payment date. In addition to requiring a payment of principal equal to 97% of all principal, prepayments and recoveries received on the PACE Assessments for such payment date, the waterfall provides that if the current note balance exceeds a targeted note balance for such payment date, remaining available funds will be used to pay down principal until such excess is eliminated.

Credit enhancement consists of excess spread, overcollateralization and a liquidity reserve account.

- Excess spread: HERO 2018-1 contains significant excess spread, which results from the difference between the weighted average interest rate of the PACE Bond Portfolio and the interest rate on the notes. **The PACE Bond Portfolio's** expected weighted average coupon is 6.71%. **KBRA's analysis assumes an** ABS note rate equal to 4.25%, resulting in 2.46% of initial excess spread available to cover losses. Any excess interest cash flows from the PACE Bond Portfolio will be available to pay principal should PACE Assessment defaults rise and the current note balance exceeds the targeted note balance.
- Overcollateralization: Overcollateralization will be 3.00% of the initial aggregate PACE Bond principal amount.
- Liquidity reserve: The liquidity reserve amount will initially be funded with \$1.25 million. On any payment date during the Prefunding Period, an amount will be deposited into the liquidity reserve account such that its balance equals 1.75% of the aggregate PACE Bond principal amount. On subsequent payment dates the liquidity reserve account will be maintained at the greater of \$1,000,000 and 2.00% of the outstanding collateral principal amount as at such payment date, which equals approximately 6 months of interest.

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Inclusion of Delinquent Assessments in the Collateral

As of April 2018, there are 12 PACE Assessments securing Missouri PACE Bonds that are delinquent for the installment due on December 31, 2017. The total principal balance of such PACE Assessments without giving effect to any partial payments is approximately \$171,000, representing approximately 0.11% of the initial principal balance of the PACE Bonds. The total delinquent amount is \$16,522, approximately 0.01% of the initial principal balance of the PACE Bonds.

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FHFA Objections to Residential PACE Programs

The Federal Housing Finance Agency ("FHFA"), the conservator of Fannie Mae and Freddie Mac, believes that PACE liens with priority over existing mortgages are unlike routine tax assessments and contravene the terms of Fannie's and Freddie's form mortgages prohibiting senior liens. Although the PACE Bond Issuers have obtained final, non-appealable judicial orders from Superior Courts in Riverside, San Bernardino and Los Angeles Counties affirming the validity, enforceability and seniority of the PACE liens, **FHFA's public opposition indicates there is a risk the FHFA may challenge the validity of a PACE lien against a mortgagee's security interest in federal court.** A successful challenge may result in impairment of the PACE Assessments.

While KBRA views this risk as remote, KBRA applied a stress scenario **to test the risk of the pool's** exposure to properties that are encumbered by a Fannie or Freddie lien. The stress scenario assumed that in the event of a default on a PACE assessment relating to a property encumbered by a Fannie or Freddie lien (and therefore a default on the subordinate mortgage loan), the FHFA was effectively able to nullify the amount due in arrears through litigation. Pursuant to the PACE Bonds Eligibility Criteria and current portfolio stratification, KBRA assumes that approximately 37% of the pool will consist of properties encumbered by a Fannie or Freddie mortgage. As a result, KBRA assumed a blended average of 63% recoveries with respect to each default (i.e. 100% recoveries, albeit delayed 48 months, with respect to the non-Fannie and non-Freddie obligors and 0% recoveries for the delinquent PACE Assessment amounts in arrears with respect to properties that were encumbered with a Fannie or Freddie mortgage). The results of such stress are shown in "*Cash Flow Stress Scenarios & Results*", Scenario 3.

Heightened Regulatory Scrutiny

Lawmakers in the U.S. Senate have recently introduced legislation that would require Truth in Lending Act disclosure for PACE assessments. Additionally, in October 2017 Governor Jerry Brown of California signed bills SB 242 and AB 1284, establishing new requirements regarding consumer protection, reporting standards, licensing and originations, among other things. Similar legislation is expected to be proposed in the House of Representatives, which may include further requirements such as placing PACE assessments under the regulatory purview of the Consumer Financial Protection Bureau ("CFPB"). This heightened legislative scrutiny follows growing concerns with the PACE industry generally. Several articles have appeared recently calling into question the disclosure practices of PACE providers.

Much of the concern with PACE assessments was in response to the fact that PACE assessments were not directly regulated by any federal or state agencies, and unlike other consumer loans where the underwriting guidelines take into account the credit history of the borrower and his or her ability to pay, PACE assessments were mostly underwritten on the value of the property securing it. These concerns, however, are partially mitigated by some of the self-regulatory steps PACE providers have taken, in conjunction with their respective Joint Powers of Authority, to implement industry-wide guidelines, best practices and the eligibility criteria set forth in the Key Credit **Consideration below entitled "Underwriting Guidelines", all of which KBRA views as a credit positive.** The recent California bills and Governmental regulation that requires

originators to strengthen underwriting procedures and increase their focus on a **consumer’s ability to repay** is a positive development for the PACE asset class.

Recent Class Action Lawsuits

In November 2016, three putative class action complaints were filed naming the PACE Bond Issuers and Renovate America, Inc. as defendants. Each complaint claims statutory violations of federal and state mortgage regulations regarding disclosure, documentation, and fee and rate practices. No class has been certified.

On July 17, 2017, the District Court dismissed with prejudice all federal claims in all three actions, including the Truth in Lending Act and the Home Ownership Equity Protection Act federal claims asserted against Renovate America, and the PACE Issuers are terminated from their respective cases. The Court remanded each state law claim against Renovate America back to the applicable state court from which it was removed. **Renovate America’s management believes that such cases in the aggregate are not material to Renovate America’s operations or financial condition.** While the information available is inconclusive, KBRA believes that the legal complaints, as they currently stand, will not have a material impact on this transaction.

On April 12, 2018, a class action complaint was filed in the Superior Court of the State of California for LA County, naming Renovate America and LA County as defendants. The plaintiffs assert that Renovate America breached its contract with LA County by failing to implement consumer protection measures. They also allege that the activities of Renovate America and LA County entail financial elder abuse under California law, because Renovate America and LA County knew or should have known that elders would be harmed since credit was extended without reference to their ability to make required payments. The plaintiffs seek certification of a class of homeowners and a subclass of elder homeowners and several forms of relief to be determined at trial. **Renovate America’s management believes that the case is not material to Renovate America’s operations or financial condition.**

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Suspension of New PACE Originations in Kern County, CA

Recently, Kern County, CA voted to suspend new PACE originations in unincorporated cities within the county **primarily due to realtors’ complaints that the lien status of a PACE assessment relative to the mortgage lien creates illiquidity for homes, making home sales and refinances more difficult.** In addition, the incorporated City of Bakersfield located in Kern County has opted out. All of the issuers KBRA rates have originated PACE assessments in Kern County. The PACE assessments included in existing term securitizations are not impacted by this decision.

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Underwriting Guidelines

At the time of origination, each PACE program includes eligibility requirements covering the property owner and property. These criteria typically place restrictions regarding **jurisdictions, property types, LTV ratios, and property owner’s payment history.** KBRA views the eligibility requirements, especially the low maximum LTV of the PACE assessment, as a positive credit consideration for this transaction. For a list of the eligibility requirements please refer to the [Assessment Origination](#) section below.

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Advance Payment Obligations of Renovate America

To the extent that an underlying PACE Assessment does not conform to certain agreed transaction guidelines and such non-conformity has a material and adverse effect on the noteholders, Renovate America, Inc., which acts as the Program Administrator for WRCOG, LA County, CSCDA and MCED in the origination of PACE Assessments, has agreed to make an advance to the Issuer equal to the outstanding principal balance of the non-conforming PACE Assessment plus interest to the next payment date. On the payment date the sum advanced will be applied in accordance with the Priority of Payments described below.

This obligation, which is present in all HERO transactions issued since 2015, was not a requirement of any party in HERO 2014-1 and HERO 2014-2. The inclusion of this recourse to Renovate America, Inc. in the case of certain non-conforming PACE **Assessments is consistent with the "buyback" obligation that is present in most asset-backed securitizations** and provides investors with additional comfort that the PACE Assessments comply with the material guidelines established for the PACE program. After receipt of an advance payment, if the Issuer receives subsequent amounts representing payments from the property owner in respect of the non-conforming PACE Assessment, these proceeds would be paid by the Issuer to Renovate America, Inc.

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Creditworthiness of the Counties

PACE Assessment collections may be commingled with other tax revenues of the counties for several months before being remitted to the PACE Bond Trustee. As such, there is a risk that a portion of collections may be subject to an automatic stay in the event of a bankruptcy of a county. KBRA has assessed the creditworthiness for the Counties of Riverside, San Diego, San Bernardino and Los Angeles and has **concluded each county's** current financial standing does not act as a constraint on the rating of the notes. The transaction also includes fifty-one other counties, the largest of which represents approximately 4.9% of the portfolio. KBRA does not generally perform a separate credit estimate for counties in which less than 10% of the portfolio is located.

Other transaction components that mitigate county bankruptcy risk include the divergence of certain amounts of excess cash into a reserve account in case a county is downgraded below investment grade and the requirement that the PACE Bond Issuers (other than LA County) seek a court order directing that future PACE Assessment payments be separately collected and paid to the PACE Bond Trustee if a county is in bankruptcy.

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Counties Do Not Accept Partial Payments

When PACE Assessments are entered on the tax roll, the county bills them along with other real estate taxes. Except for Los Angeles County (27.3%), Santa Clara County (0.93%), Clay County (0.94%), St. Charles County (0.99%), St. Louis County (0.60%), Franklin County (0.10%), and Jackson County (4.91%), none of the counties related to this pool accept partial payments from the taxpayer. Partial payments are generally returned to the taxpayer and the entire tax payment, including the PACE Assessment, is considered delinquent. KBRA views this as a credit positive as it mitigates the risk of selective defaults of the PACE Assessments. In the case of Los Angeles County, full

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<p>payment must be received from the taxpayer in order for the tax bill to be considered paid-in-full, i.e., a taxpayer is still considered delinquent despite Los Angeles County's acceptance of a partial payment by the taxpayer. Payments by property owners of their taxes and assessments received by the counties generally are applied pro rata across all taxes and assessments due.</p>	
<p>Lack of Historical Loss Data</p> <p>As a new asset class, there is minimal historical PACE assessment default or foreclosure data available. In its analysis, KBRA used historical residential real estate tax default data for the counties where the properties subject to the PACE Assessments are located as a proxy for PACE Assessment defaults. KBRA views this as an acceptable proxy, since PACE assessments are equal in priority to other real estate taxes. As noted above, none of the counties related to the HERO 2018-1 pool accepts partial payment of taxes except for Los Angeles County, Santa Clara County, Jackson County, Clay County, St. Charles County, St. Louis County, and Franklin County.</p>	-
<p>Geographical Concentration</p> <p>All PACE Assessments are levied on properties located in California and Missouri, with Los Angeles, CA, Riverside, CA, San Bernardino, CA and San Diego, CA Counties accounting for approximately 55.8% of the principal balance. Adverse economic circumstances or catastrophic events, such as earthquakes and floods, in the counties represented in this transaction may have a significant impact on the ability of obligors to make payments on the PACE Assessments. As the HERO securitization program has evolved, it has become increasingly geographically diverse. Initially, in the HERO 2014-1 transaction, all of the assessments were located in one county (Riverside). The number of counties has since grown to 55 counties in this transaction with the inclusion of Missouri assessments, although the portfolio is still heavily concentrated in southern California.</p>	-
<p>Option to Advance Funds for Delinquent Assessments</p> <p>Each PACE Bond Issuer, WRCOG, LA County, CSCDA and MCED as well as other third parties such as Renovate America, has the option to advance funds to pay delinquent PACE Assessments. Proceeds related to any advance will be applied in accordance with the Priority of Payments on the subsequent payment date. As a result of an advance, the PACE Bond Issuer would forbear from foreclosing on the related property.</p> <p>KBRA views the potential advance of funds by a PACE Bond Issuer, or a third party, to pay delinquent PACE Assessments as a credit positive as the projected maximum amount of cash for a collection period may be available for debt service.</p> <p>To the extent a delinquent assessment receives an advance of funds, the party that advances such funds may be entitled to receive those proceeds along with any penalty interest or penalty fees that were received. These amounts are separated from the total proceeds received by the PACE Bond Issuer and are not used to make debt service payments on the PACE Bonds to the Collection Account. Reimbursement of such amounts to the party advancing the funds is only with respect to the individual(s) delinquent PACE</p>	+

Assessment installments, where an advance of funds was provided by a PACE Bond Issuer and subsequently paid.

Key Changes From HERO Funding 2017-3

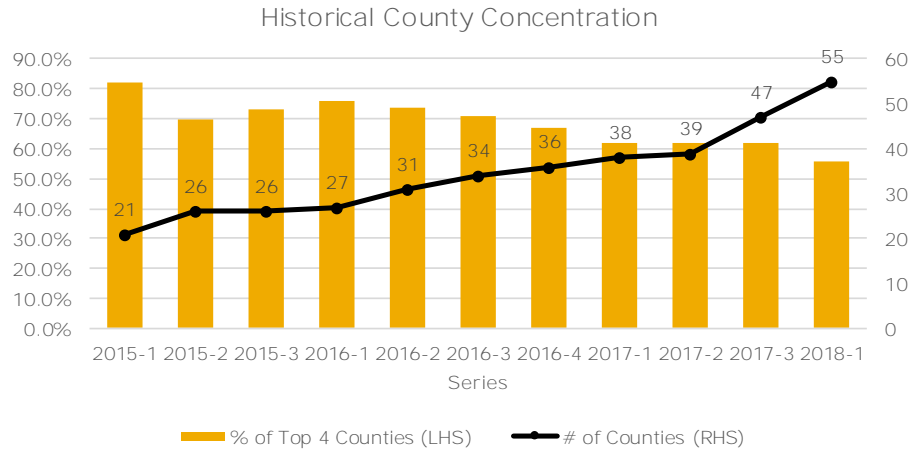
Collateral

The Initial PACE Bond Portfolio composition in this transaction is largely in line with that of the previous transaction. Some changes regarding the collateral are listed below:

- Lower average assessment value (\$23,658 vs. \$23,764)
- Slightly lower average annual payment (\$2,590 vs. \$2,648)
- Lower weighted average coupon (6.71% vs. 6.77%)
- Slightly higher weighted average term (17.82 vs. 17.36)
- Higher number of counties (55 vs. 47)
- Higher percentage of PACE Assessments in the State of Missouri (9.1% vs. 3.4%)
- No PACE Bonds issued by San Bernardino Associated Governments

The number of counties that the collateral comprises has generally increased since Renovate's first transaction under the HERO program.

Collateral Composition



Company/Operations

Regulatory Update

In California, as of April 1, 2018, recent legislation requires the Program Administrator to consider a homeowner's ability to pay at the time of application as part of its eligibility review. The Program Administrator determines a homeowner's residual income, and the residual income, maximum financing amount and LTV/CLTV calculations will be used to determine a maximum approval amount for the homeowner.

Transaction / Legal Structure

Prefunding Percentage

The Subsequent PACE Bond Portfolio is expected to represent approximately 20% of the PACE Bond Portfolio at the end of the Prefunding Period compared to 30% in the previous transaction.

Performance Summary of HERO Deals Rated by KBRA

KBRA currently rates 12 HERO transactions; data are as of the March 2017 collection period. KBRA completed its review of ten HERO transactions that were at least 12 months seasoned, which resulted in the affirmation of nine classes of notes in June 2017 and one class of notes in April 2018. For detailed analysis of this comprehensive review, please see KBRA's ABS Surveillance reports [Hero Funding Trusts Comprehensive Surveillance Report](#) and [HERO 2017-1 Surveillance Report](#).

Collateral Overview

Thirty-three states in the U.S. and Washington, D.C. have passed legislation allowing municipalities to create PACE programs. PACE programs enable local governments to finance renewable energy and energy efficiency projects on privately owned residential, commercial, agricultural, and industrial properties. The purpose of PACE programs is to promote energy efficiency, water conservation and renewable energy improvements, support green job creation, and stimulate economic activity. The programs also eliminate the barriers of high upfront costs and lack of available funding for eligible improvements.

In California and Missouri, property owners may enter into voluntary contractual assessments levied on residential properties in order to finance the acquisition and installation of eligible energy efficiency, water conservation and renewable energy improvements, which are known as PACE assessments. A PACE assessment constitutes a lien against the entire property, not just the specific improvement installed and funded by the PACE assessment. The assessment remains with the property, irrespective of any intervening sales, until it is fully paid. The lien of each PACE assessment is equal to liens for ad valorem taxes on real property, is generally not subject to extinguishment upon sale of the property, and is considered senior to all non-tax liens.

PACE Bonds

The PACE Bond Issuers have established PACE programs to provide funding for renewable energy, energy-efficient, or water conservation improvements on residential properties located in WRCOG Participating Member Jurisdictions located in western Riverside County, Participating Member Jurisdictions located in San Bernardino County, LA County Participating Member Jurisdictions located in Los Angeles County, CSCDA Participating Member Jurisdictions and MCED Participating Member Jurisdictions. Due to the success of the WRCOG PACE program and inquiries by cities and counties located outside of western Riverside County, WRCOG has also established the California HERO Program for cities and counties **outside of WRCOG's** jurisdictional boundaries.

PACE Bonds are limited obligation improvement bonds and special assessment revenue bonds issued by the PACE Bond Issuers. Each PACE Bond is secured by certain PACE Assessments levied on residential properties in the Counties. In California, scheduled payments are made on the PACE Bonds on March 2 and September 2 of each year using payments received from the PACE Assessments. The PACE Bond payments made on March 2 are comprised of interest, prepayments of principal and recoveries, and payments made on September 2 are comprised of interest, principal, prepayments and recoveries. In Missouri, scheduled

payments are made on the PACE Bonds on April 2. The payments made on April 2 are comprised of interest, principal, prepayments and recoveries.

HERO 2018-1 Collateral Overview

The notes are secured by the PACE Bond Portfolio, composed of the Initial PACE Bond Portfolio and the Subsequent PACE Bond Portfolio. The Initial PACE Bond Portfolio consists of 168 PACE Bonds issued by the PACE Bond Issuers. These PACE Bonds are secured by 6,547 assessments levied against 6,332 residential properties in 55 counties with 43 in California and 12 in Missouri. The average PACE Assessment is approximately \$23,658 with an average annual payment of approximately \$2,590. Approximately \$38.7 million of PACE Bonds in the Subsequent PACE Bond Portfolio are expected to be delivered after closing, and, together with the Initial PACE Bond Portfolio, will be subject to the PACE Bonds Eligibility Criteria (“Eligibility Criteria”) found in [Appendix A](#) of this report. In order to model cash flows from the Subsequent PACE Bond Portfolio, KBRA used a representative pool of assets exhibiting the most conservative characteristics permitted by the Eligibility Criteria. A summary of both the PACE Assessments and the Initial PACE Bond Portfolio are shown in the tables below.

Initial PACE Bond Portfolio Summary		Initial PACE Bond Portfolio by County			
Summary of Assessments		County	# of Assessments	Principal Balance	% of Principal Balance
Number of Assessments	6,547	Los Angeles, CA	1,466	\$42,316,000	27.32%
Avg Assessment Value	\$23,658	Riverside, CA	752	\$17,346,296	11.20%
Range	\$558 - \$220,777	San Bernardino, CA	588	\$12,756,067	8.24%
Avg Annual Payment	\$2,590	San Diego, CA	531	\$14,011,827	9.05%
Range	\$275 - \$22,018	Jackson, MO	505	\$7,611,238	4.91%
WA Assessment LTV	7.43%	Sacramento, CA	328	\$7,126,982	4.60%
Range	0.34% - 19.77%	San Joaquin, CA	258	\$5,890,662	3.80%
WA Mortgage LTV	56.47%	Orange, CA	195	\$4,792,074	3.09%
Range	0.00% - 98.29%	Stanislaus, CA	170	\$3,469,240	2.24%
WA Combined LTV	63.90%	Fresno, CA	167	\$3,223,207	2.08%
Range	0.80% - 99.98%	Contra Costa, CA	154	\$4,542,420	2.93%
Summary of PACE Bonds		St. Charles, MO	126	\$1,527,174	0.99%
Number of Bonds	168	Solano, CA	97	\$2,514,848	1.62%
Total Principal Amount	\$154,889,475	Ventura, CA	96	\$2,213,865	1.43%
WA Coupon	6.71%	Sonoma, CA	94	\$2,754,821	1.78%
Range	2.99% - 8.99%	Clay, MO	93	\$1,458,591	0.94%
WA Original Term	17.82 years	Alameda, CA	85	\$2,818,317	1.82%
Range	5 - 25 years	Kern, CA	84	\$1,716,894	1.11%
		St. Louis, MO	75	\$934,083	0.60%
		Tulare, CA	73	\$1,337,273	0.86%
		Merced, CA	64	\$1,508,361	0.97%
		Greene, MO	52	\$1,141,777	0.74%
		El Dorado, CA	46	\$1,081,695	0.70%
		Madera, CA	46	\$1,110,134	0.72%
		Santa Clara, CA	45	\$1,441,175	0.93%
		Imperial, CA	42	\$617,445	0.40%
		Kings, CA	34	\$534,674	0.35%
		Jefferson, MO	30	\$370,808	0.24%
		Platte, MO	25	\$487,022	0.31%
		San Mateo, CA	19	\$802,938	0.52%
		Butte, CA	18	\$422,038	0.27%
		Marin, CA	18	\$661,141	0.43%
		Monterey, CA	18	\$519,450	0.34%
		Yuba, CA	17	\$442,240	0.29%
		Yolo, CA	16	\$385,546	0.25%
		Franklin, MO	15	\$153,151	0.10%
		San Francisco, CA	15	\$550,378	0.36%
		Napa, CA	13	\$323,706	0.21%
		Christian, MO	11	\$232,438	0.15%
		Shasta, CA	11	\$221,256	0.14%
		Amador, CA	9	\$286,403	0.18%
		San Luis Obispo, CA	8	\$327,099	0.21%
		Santa Cruz, CA	8	\$173,978	0.11%
		Sutter, CA	7	\$207,727	0.13%
		Cass, MO	5	\$83,321	0.05%
		Tehama, CA	5	\$108,490	0.07%
		Mariposa, CA	3	\$33,065	0.02%
		Glenn, CA	2	\$55,892	0.04%
		Johnson, MO	2	\$28,629	0.02%
		Colusa, CA	1	\$37,422	0.02%
		Del Norte, CA	1	\$23,654	0.02%
		Humboldt, CA	1	\$46,939	0.03%
		Mendocino, CA	1	\$50,698	0.03%
		Nevada, CA	1	\$48,311	0.03%
		Pettis, MO	1	\$8,599	0.01%
		Total	6,547	154,889,475	100.00%

Transaction Comparison

The table below compares the characteristics of HERO 2018-1 to the previous HERO transactions. There are 168 microbonds that were issued to originate the PACE Assessments in the Initial PACE Bond Portfolio. HERO 2018-1 features four counties (Los Angeles, Riverside, San Bernardino and San Diego) that represent a majority (approximately 55.8%) of the collateral.

The liquidity reserve amount will initially be funded with \$1.25 million. On any payment date during the Prefunding Period, an amount will be deposited into the liquidity reserve account such that its balance equals 1.75% of the aggregate PACE Bond portfolio target principal amount. On any payment date after the prefunding period but on or before the September 2018 payment date, the liquidity reserve account will be maintained at 1.75% of the outstanding collateral principal balance. On subsequent payment dates or after the September 2018 payment date the liquidity reserve account will be maintained at the greater of \$1 million and 2.00% of the outstanding collateral principal amount as at such payment date, which equals approximately 6 months of interest. The mechanism used to deposit funds into the liquidity reserve account will resemble the manner in which the liquidity reserve accounts were funded in the prior HERO transactions.

Collateral Comparison										
Summary of Assessments	HERO 2015-2	HERO 2015-3	HERO 2016-1	HERO 2016-2	HERO 2016-3*	HERO 2016-4*	HERO 2017-1*	HERO 2017-2*	HERO 2017-3*	HERO 2018-1*
Number of Assessments	7,558	8,939	9,252	13,432	12,394	9,008	8,275	6,255	8,118	6,547
Avg Assessment Value	\$21,795	\$23,243	\$24,236	\$23,433	\$21,310	\$22,723	\$23,169	\$22,477	\$23,764	\$23,658
Avg Annual Payment	\$3,024	\$3,197	\$3,296	\$3,159	\$2,916	\$2,979	\$2,802	\$2,622	\$2,648	\$2,590
WA Assessment LTV	7.27%	7.43%	7.46%	7.09%	6.60%	6.68%	6.76%	6.55%	7.04%	7.43%
WA Mortgage LTV	61.60%	61.30%	59.74%	58.40%	58.47%	56.07%	54.60%	57.45%	57.09%	56.47%
WA Combined LTV	68.86%	68.73%	67.20%	65.49%	65.08%	62.74%	61.37%	64.00%	64.13%	63.90%
Summary of PACE Bonds	HERO 2015-2	HERO 2015-3	HERO 2016-1	HERO 2016-2	HERO 2016-3*	HERO 2016-4*	HERO 2017-1*	HERO 2017-2*	HERO 2017-3*	HERO 2018-1*
Number of PACE Bonds	18	32	28	24	180	139	175	222	158	168
Total Principal Amount	\$164,725,261	\$207,765,921	\$224,230,116	\$314,756,149	\$264,122,074	\$204,684,402	\$239,664,185	\$140,596,172	\$192,918,619	\$154,889,475
WA Coupon	8.13%	7.93%	7.94%	7.96%	7.93%	7.99%	8.10%	7.32%	6.77%	6.71%
WA Original Term (years)	14.81	14.46	13.83	14.95	14.56	15.48	17.70	17.40	17.36	17.82
Number of Counties	26	26	27	31	34	36	38	39	47	55
Number of Counties >10% of Collateral	4	4	4	4	4	3	3	3	3	2

* Initial PACE Bond portfolio only

Prefunding Account

On or before closing, an amount of at least \$38,722,369 will be deposited into a Prefunding Account to fund the purchase of PACE Assessments underlying PACE Bonds in the Subsequent PACE Bond Portfolio between closing and the earlier of 90 days after the Closing Date and the occurrence of an Event of Default (the "Prefunding Period"). All PACE Assessments will be subject to the Eligibility Criteria that govern the aggregate PACE Bond Portfolio (Initial and Subsequent PACE Bond Portfolios combined) regarding characteristics such as the minimum representation of PACE Bonds with a certain term and coupon, FICO band limits and county distribution. The complete Eligibility Criteria can be found in the [Appendix A](#) of this report. In order to model cash flows from the Subsequent PACE Bond Portfolio, KBRA used a representative pool of assets exhibiting the most conservative characteristics permitted by the Eligibility Criteria.

Process Overview

Key Parties

Renovate America

Renovate America was founded in 2009 exclusively to work with local governments to enact the HERO financing program. Renovate America has developed a front end residential related PACE program that can be tailored to individual local jurisdictions. Once a program is created and implemented, Renovate America is contracted to market and originate new assessments on an ongoing basis.

Renovate America is headquartered in San Diego, CA and currently employs more than 364 full time employees. With a focus on technology and automation, Renovate America's program is scalable and designed for growth. Currently all clients are focused in California, Missouri and Florida, although the company expects to grow via new jurisdictions throughout California, Florida and other states. Management is experienced in technology, governmental programs and energy related businesses.

WRCOG, LA County, CSCDA and MCED have each contracted with Renovate America to establish and administer a PACE program. Renovate America is directly responsible for developing and marketing the program and originating each assessment. Renovate America is also involved in funding and transferring data to the county.

David Taussig & Associates, Inc.

David Taussig & Associates, Inc. ("DTA") is a national public finance consulting firm founded in 1985 and headquartered in Newport Beach, CA. The company provides oversight to governmental agencies in managing their funding programs. Specific functions include calculation of monthly charges, preparation of delinquency reports and responding to property owner inquiries. DTA currently administers over 300 regional and benefit-area-based fee programs, including PACE programs.

WRCOG, MCED and CSCDA have contracted with DTA to perform a number of administrative activities related to the ongoing maintenance of each PACE program. LA County has contracted with Renovate America, who in turn has contracted with DTA to perform administrative duties to the LA County PACE program. DTA initially provided consulting services in developing the PACE program and the company works closely with Renovate America to originate each PACE assessment. As part of its ongoing obligation, DTA maintains a database with all PACE assessment documentation and information. The company provides each county with billing information, delinquency data and parcel details.

Assessment Origination

Renovate America originates 80-90% of all PACE assessments through contractor referrals. Each California contractor must be licensed and bonded by the California Contractors State License Board and must be registered with Renovate America to participate in the HERO program. Renovate America provides contractors with training on the HERO program, acceptable marketing practices and eligible equipment criteria. Contractors are also given access to a proprietary '**contractor only**' website that provides financing data, tracking capabilities and marketing information. According to Renovate America, there are currently more than 6,600 approved contractors in the network. A 22-person team manages the contractor oversight process, including compliance and training.

Underwriting is done through a proprietary **Automated Underwriting System ("AUS")**. Although a credit score is not used to underwrite, credit reports are pulled and reviewed on all applicants to determine potentially fraudulent activity associated with the property owner and to verify mortgage-related payment history. Renovate America uses a proprietary **Automated Valuation Model ("AVM")** that utilizes data pulled from various real estate data providers to determine property value. Declines are typically due to high real estate mortgage loan-to-value.

Property owners and properties must meet the following criteria to be eligible:

- Applicant(s) must be the property owner(s) of record;
- Property must be located within the boundaries of the Program;
- Property must be a residential property with no more than three units for Assessments securing California PACE Bonds and four units for Assessments securing Missouri PACE Bonds;

- Only improved properties qualify. New construction is not eligible, unless ownership has been **transferred from the developer to the property owner**. “New construction” includes new homes under construction and additions to existing structures; and
- Mobile homes and manufactured homes qualify if they are permanently attached to the real property, if the mobile/manufactured home owner also owns the underlying land and if the property is subject to real property taxes (not DMV fees).

All PACE Assessments included in this transaction must also conform to other underwriting criteria applicable to each of the PACE Programs, which can be found in the [Appendix B](#) of this report.

To the extent that an underlying PACE Assessment does not conform to certain agreed transaction guidelines and such non-conformity has a material and adverse effect on the noteholders, Renovate America, Inc., which acts as the Program Administrator for WRCOG, LA County, CSCDA and MCED in the origination of PACE Assessments, has agreed to make an advance to the Issuer equal to the outstanding principal balance of the non-conforming PACE Assessment plus interest to the next payment date. On the payment date the sum advanced will be applied in accordance with the Priority of Payments described below.

The advance payment obligation was not a requirement of any party in HERO 2014-1 and HERO 2014-2. The inclusion of this recourse to Renovate America, Inc. in the case of certain non-conforming PACE **Assessments is consistent with the “buyback” obligation that is present in most asset-backed securitizations** and provides investors with additional comfort that the PACE Assessments comply with the material guidelines established for the PACE program. After receipt of an advance payment, if the Issuer receives subsequent amounts representing payments from the property owner in respect of the non-conforming PACE Assessment, these proceeds would be paid by the Issuer to Renovate America, Inc.

Interest rate and term options are provided to the applicant in the financing documents. The term of the PACE assessment cannot exceed the useful life of the asset. Until recently, there were no specific disclosures required or consumer protection laws applicable. In October 2017 Governor Jerry Brown of California signed bills SB 242 and AB 1284, establishing new requirements regarding consumer protection, reporting standards, licensing and originations, among other things. Similar legislation is expected to be proposed in the House of Representatives, which may include further requirements such as placing PACE assessments **under the regulatory purview of the Consumer Financial Protection Bureau (“CFPB”)**.

Prior to funding, all related parties (including Renovate America, DTA and WRCOG, LA County, CSCDA or MCED) must review closing documentation and approve the financing. The lien is then recorded by the county recorder. Funds are wired directly to the contractor (or directly to the homeowner if there is no contractor involved) only after installation is complete and certified by the homeowner.

Servicing

In California, the Counties are responsible for billing and collecting the PACE Assessments. Each assessment **is included on a property owner’s tax bill as a separate line item. As discussed, DTA prepares and submits the annual assessment roll to the county auditor’s office.**

Each county mails annual property tax bills to property owners each October. The property tax bills identify the amounts to be paid for the year as two equal installments: payments are due by November 1 and February 1 of each year. The Counties accept property tax bill payments via mail, over the phone with a credit card, online with a credit card or e-check, electronic funds transfer, Western Union, or in person. Most payments are received from mortgage servicers as part of a borrower’s escrowed tax payment.

Each county represented in this pool other than Los Angeles County and Santa Clara County will not accept partial payments and none of the Counties will accept directed payments. All tax and assessment payments

are generally applied pari passu and must be paid in full, except in Los Angeles County, or the payment will not be accepted and will be returned to the taxpayer. Additionally, first installment taxes must be paid before a county will accept funds for the second installment. Prepayments of PACE assessments are permitted. Once received, the Counties send the assessment funds to the PACE Bond Trustee periodically throughout the year.

If the property tax is not paid by 5:00 pm on December 10 and April 10 of each year, a 10% penalty is applied by the Counties. In addition, on July 1 of each year, the county will apply an interest charge of 1.5% per month until the property tax is paid. Generally, late penalties not retained by the counties received on defaulted PACE Assessments will be available to pay principal and interest on the notes. In the cash flow analysis KBRA does not give any credit to any potential late penalties not retained by the counties.

DTA reviews payment information provided by the Counties and confirms delinquent payments. DTA will send delinquency reminder letters to property owners within 10 days of receiving a county's delinquency report. DTA provides WRCOG, LA County, CSCDA and MCED with a list of the parcels that are still delinquent prior to the foreclosure deadline. WRCOG, LA County, CSCDA and MCED will in turn notify its counsel of delinquent parcels and require foreclosure proceedings to commence.

In Missouri, PACE Assessments are billed and collected by the County Tax Collector of each County annually, together with property tax payments and payments in relation to other assessments relating to the particular properties, all of which are billed together on the same statement and are due on or before December 31.

With the exception of Jackson County, Clay County, St. Charles County, St. Louis County, and Franklin County, none of the Missouri counties related to this pool accepts partial payments from the taxpayer.

On or before September 1 of each year, or such other date specified by the applicable County, DTA will submit the annual assessment levy for each PACE Assessment to the County Tax Collector for inclusion on the consolidated property tax bills of the relevant property owners. This annual assessment levy determines the amounts that will be deemed payable in relation to each PACE Assessment. MoCEF is responsible for recording the assessment lien in the applicable real estate recording office.

MCED's authority to bill and collect through the County Tax Collectors is set out in the Missouri PACE Act, which provides that PACE Assessments "shall be collected by the county collector in the same manner and with the same priority as ad valorem real property taxes". Despite the apparent statutory authorization, certain county collectors have objected to being required to collect PACE Assessments together with the other taxes which the county collector routinely collects. In a recent decision of the Circuit Court of Clay County, Missouri, the Clay County Collector of Revenue was found to be bound by law to include seven existing Clay County PACE Assessments on the 2017 Clay County real property tax statements. Although the court granted the relief sought by MCED and denied a subsequent request for reconsideration, an appeal has been filed by the plaintiff tax collector, which is expected to be heard in mid-2018.

Late payments, including partial payments accepted in certain counties, are considered delinquent in Missouri **on or after January 1. Delinquent assessment payments incur a penalty of 18% of each year's delinquency or 2% per month or fractional part of a month if redemption occurs prior to the sale.** Additionally, each county in Missouri is authorized to charge a fee ranging between 2% and 7% depending on county classification for the collection of delinquent taxes.

Each time an Assessment Contract is completed and funded, DTA receives information from the Program Administrator setting forth the amount of the Assessment. DTA aggregates the information on an annual basis and transmits reports detailing the Assessments levied during each such annual period to the applicable county. Such county then uses this information to compile each property owner's annual tax bill, which includes a line item showing the annual Assessment Installment.

DTA maintains a process to verify that each Assessment Installment is properly identified by DTA to the applicable County and that the amount due is properly reflected on such County's tax rolls.

Legal Considerations

FHFA Objections to Residential PACE Programs

The FHFA, the conservator of Fannie Mae and Freddie Mac, has declared that PACE programs which permit municipalities to impose tax liens that prime existing mortgages **present "significant safety and soundness concerns" and represent a "key alteration of traditional mortgage lending practice"**. The FHFA has stated that Fannie's and Freddie's uniform mortgage documents prohibit PACE financing with lien priority over the mortgage.

The California PACE Bond Issuers have obtained judicial validation of their PACE programs in the Superior Courts of Riverside, San Bernardino and LA Counties. In a judicial validation, an entity requests that a court of competent jurisdiction confirm the legality of validity of certain actions, in this instance the levying of contractual assessments by WRCOG, and LA County. In the most recent default judgments dated July 1, 2011, August 26, 2013, August 22, 2016 and April 7, 2015 with respect to the WRCOG, California HERO and LA County PACE programs, respectively, the Riverside, San Bernardino and Los Angeles **Counties'** Superior Courts decreed that the PACE assessments were valid under California law, collectible in the same manner as general property taxes and with the same lien priority, and were not in violation of the California or U.S. Constitutions. These orders are final and the appeals periods have passed. On January 27, 2010, **the CSCDA's Commission adopted a set of resolutions pursuant to which such commission authorized the** issuance of one or more series of limited obligation improvement bonds upon the security of voluntary contractual assessments levied on certain residential parcels meeting the specified eligibility criteria. KBRA has been advised that the FHFA, Fannie and Freddie received notice of the judicial validation proceedings and did not appear or provide any notice of objection. Furthermore, WRCOG, LA County, and CSCDA obtained legal opinions stating that the PACE assessments **do not violate the U.S. or California Constitutions'** prohibitions against impairing contracts or taking a pre-existing lender's property, **the assessments have** been validly authorized under California law, that liens to secure payment of such assessments have been imposed on the related properties, and that these liens are equal to and independent of liens for real property taxes, other assessments and other taxes.

Judicial validation is not available for PACE issuers in Missouri proceedings to be brought to validate PACE programs in the state. However, the Missouri PACE Act, established in 2011, prevents any lawsuit that challenges the formation of a clean energy development board or questions the related proceedings to be filed after 60 days from the effective date of the ordinance establishing the clean energy development board. The MCED was formed by the City of Jefferson City on January 3, 2011. No claim was raised within 60 days of its formation. In addition, the Missouri PACE Act allows a limited period for the challenge of an individual **PACE Assessment by providing that "no lawsuit to set aside the approval of a project, an assessment contract, or a special assessment levied by a clean energy development board, or to otherwise question the proceedings related thereto shall be brought after the expiration of sixty days from the date that the assessment contract is executed"**. **KBRA notes that all** but one Missouri PACE Assessments in the collateral pool have been executed for longer than 60 days as of the cut-off date. Finally, the Missouri Supreme Court has held that statutory provisions barring complaints from being filed following the expiration of a specified time period are constitutional so long as they relate to a legitimate governmental purpose, which should be the case here as it relates to the Missouri PACE program.

Although WRCOG, LA County, CSCDA and MCED have taken steps to protect PACE assessments from federal challenge, KBRA believes there remains a small but material risk that the FHFA may successfully challenge

California's PACE program under the U.S. Constitution's Supremacy Clause, which requires that states and municipalities recognize the supremacy of federal law whenever it conflicts with state or local law. If successfully challenged by the FHFA, PACE Assessments may be impaired.

While KBRA views this risk as remote, KBRA applied a stress scenario to test the risk of the pool's exposure to properties that are encumbered by a Fannie or Freddie lien. The stress scenario assumed that in the event of a default on a PACE assessment relating to a property encumbered by a Fannie or Freddie lien (and therefore a default on the subordinate mortgage loan), the FHFA was effectively able to nullify the amount due in arrears through litigation. Pursuant to the PACE Bonds Eligibility Criteria, KBRA assumes that approximately 37% of the pool will consist of properties encumbered by a Fannie or Freddie mortgage. As a result, KBRA assumed a blended average of 63% recoveries with respect to each default (i.e. 100% recoveries, albeit delayed 48 months, with respect to the non-Fannie and non-Freddie obligors and 0% recoveries for the delinquent PACE Assessment amounts in arrears with respect to properties that were encumbered with a Fannie or Freddie mortgage). The results of such stress are shown in "*Cash Flow Stress Scenarios & Results*", Scenario 3.

Risk of County Bankruptcy

Under each PACE program, property owners subject to a PACE assessment make property tax payments to the county in which their property is located. The county then remits all collections associated with the PACE Assessments to the PACE Bond Trustee periodically throughout the year. Collections on PACE Assessments are not separated from general tax collections until remitted, with the effect that until the funds are remitted to the PACE Bond Trustee, PACE assessment collections are commingled with other revenues of the county and may be subject to an automatic stay in the event of a municipal bankruptcy of the county. KBRA considered the following mitigating factors in the analysis:

- The transaction features a liquidity reserve that can cover interest payments in case of a disruption in cash flows.
- When a county falls below investment grade, a percentage (equal to the portion of the pool represented by that county) of the funds available after payment of principal must be deposited into a County Reserve Account.
- In the event of a county bankruptcy, the PACE Bond Issuers (other than LA County) are obligated to seek a court order directing that such future payments be separately collected and paid over to the PACE Bond Trustee.

KBRA believes that in the event of the bankruptcy of a county related to the HERO 2018-1 pool, collections on PACE Assessments would likely constitute "special revenues" under Chapter 9 of the U.S. Bankruptcy Code that would not be subject to the automatic stay and should not be diverted to pay debts unrelated to the PACE program. Nevertheless, KBRA decided to analyze the creditworthiness of the counties that account for 10% or more of the portfolio just in case a bankruptcy judge were to conclude that cash being held by an insolvent county before being swept to the PACE Bond Trustee was subject to the automatic stay, and KBRA concluded that the current financial standing of Riverside, San Bernardino, Los Angeles and San Diego Counties would not act as a constraint on the rating of the notes. KBRA does not generally perform a separate credit assessment for counties that account for less than 10% of the portfolio.

Delinquency and Foreclosure

A California PACE assessment is considered in default if it is in arrears by June 30 of any year. DTA will provide a list of parcels that are still delinquent as of October 1 of each year. By December 1 (assuming no advance of funds is provided to pay a delinquent assessment), WRCOG, LA County or CSCDA must commence foreclosure proceedings against each delinquent participating parcel, with foreclosure costs to

be borne by the PACE Bond Issuer. The property owner generally has 140 days after notice to redeem the property. If a property owner fails to redeem and the property is sold, the only remedy available is an action to set aside the sale, which must be brought within 90 days of the date of sale. If a foreclosure sale is set aside, the judgment is revived and the PACE Bond Issuer is entitled to interest on the revived judgment as if the sale had not been made. Amounts collected are held in trust for the benefit of the PACE Bond owner until all delinquent amounts have been deposited into a Redemption Fund.

KBRA views California's tax foreclosure laws, which grant WRCOG, LA County and CSCDA the flexibility to quickly foreclose on a delinquent obligor's property, as a credit positive. In most judicial foreclosure actions, there may be a lengthy interval between default and realization of proceeds from a foreclosure. California's tax foreclosure laws, in contrast, allow for much quicker recoveries.

In Missouri, an assessment payment (like other real estate taxes) becomes delinquent if not paid by January 1 following the year the assessment was levied. Subsequently, the fourth Monday in August after the delinquency date is the first date when a tax sale can be held. The last date on which the tax sale may be held is three years following the delinquency date. MCED must foreclose if delinquency is not cured within 60 days of a notice of delinquency put at the request of the bond owners. If the property is not sold at the first offering, a second offering will be held one year later and if the property is not sold at the second offering a third offering will be held one year after the second offering. In the unlikely event the property is not sold at the third offering, the county collector is not required to offer the property for sale again for a five-year period.

California PACE Loss Reserve Program

In March 2014, California launched the PACE Loss Reserve Program (the "Program") to address concerns surrounding residential PACE following commentary issued by the FHFA regarding the potential risks in PACE financing to first mortgage holders. The Program was initially funded with \$10 million from California to mitigate the risk to mortgage lenders by offsetting losses that may be incurred due to the existence of a first-priority PACE lien on a property. The FHFA has indicated to the Program's administrators that the Program does not address all of its concerns and that it retains its position regarding the first-priority lien structure inherent to PACE.

To be eligible for coverage under the Program, a PACE administrator must submit an application detailing its activities as it relates to PACE financings and administrative documents as prescribed by the Program. Enrolled programs must report to the state semiannually the total value of financings originated during each semiannual period. The PACE Assessments included in the PACE Bond Portfolio are covered by the Program.

Although the Program's existence was not a material quantitative factor in the rating on the notes, KBRA believes the development of the Program is a qualitative credit positive for the transaction.

LA County Residential PACE Reserve Fund

On June 1, 2015, the Los Angeles County Residential Property Assessed Clean Energy Program was launched for homeowners who want to install energy efficiency, renewable energy and water-saving improvement to their properties. Eighty-six of the 88 cities in Los Angeles County have opted into the program. To protect homeowners and investors, the county created the LA County PACE Reserve Fund. The fund is intended to be drawn upon prior to the California PACE Loss Reserve Program. When a homeowner misses a PACE payment, the fund pays the delinquent payment on behalf of the homeowner, which postpones foreclosure and allows the property owner additional time to resolve the default. It also ensures that PACE bondholders receive timely payments. For every dollar of microbonds issued by LA County, 0.10% of dollars will be deposited into the fund.

Cash Flow Base Case Assumptions

KBRA performed a cash flow analysis to test the transaction structure. The analysis considers a number of key inputs:

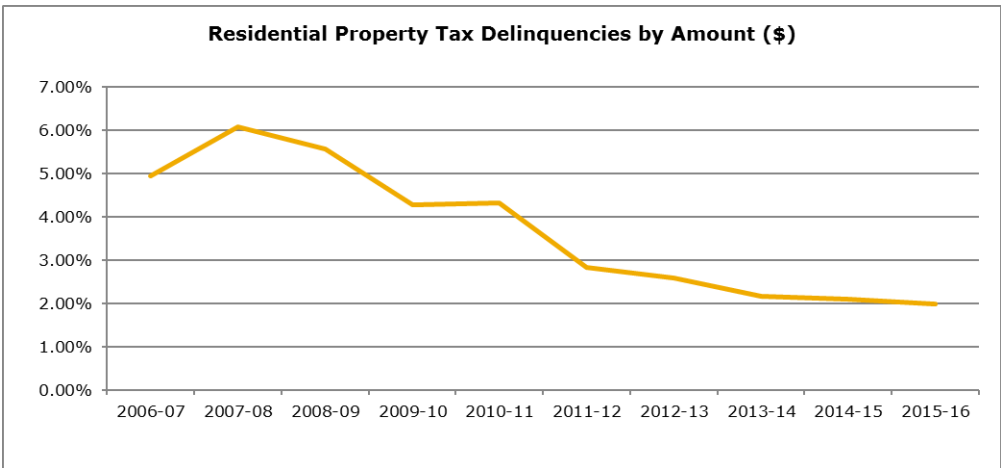
- Default rates
- Time to recovery
- Recovery rate

KBRA established a base case for each input and then applied stresses to test the transaction’s ability to pay timely interest and full principal by the legal final maturity date. **KBRA’s** analysis did not take into account cash flow received from the 10% penalty for payments made after the tax assessment due dates **or the interest charge of 1.5% per month for property taxes in default.** KBRA’s base case assumptions are summarized in the following table and the rationale for each input is summarized below.

Base Case Cash Flow Assumptions		
Default Rate	Time to Recovery	Recovery Rate
3.75%	24 months	100%

Default Rate

As a new asset class, there is no direct default or foreclosure experience to rely upon in developing an expected loss proxy for PACE assessments. As a result, KBRA relied on property level residential real estate tax delinquency data from participating jurisdictions that comprise a significant portion of the portfolio. The graph below shows the blended annual tax delinquency rate for such jurisdictions.



Property Tax Delinquencies - Participating Jurisdictions, Residential Only														
Default Type	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	WA Avg
Amount (\$)	0.00%	0.00%	2.50%	4.93%	6.06%	5.56%	4.26%	4.31%	2.82%	2.58%	2.16%	2.09%	1.98%	3.67%

The delinquency rates shown above do not represent new residential property tax delinquencies. Instead, **each year’s** delinquency rate incorporates delinquencies from previous years. Property owners must be current on all property taxes at the time of PACE assessment origination. Since new real estate tax delinquencies in any one year must be equal to or below total tax delinquencies in that same year, KBRA views using this data to establish its base case default rate as conservative.

Time to Recovery

KBRA analyzed the number of years after a default for a residential property to become current on its property taxes. The data shows that on average over an eight year time period, 61.8% of residential tax defaults were cured by the following year and 81.2% within two years. In most cases these cures were not the result of foreclosure proceedings.

KBRA believes that the majority of properties that default on their real estate taxes would not result in a foreclosure. To be conservative, KBRA assumed all defaulted taxes go through the foreclosure process and are sold in a tax sale in the base case, meaning all defaulted PACE payments take 24 months to recover.

Recovery Rate

The PACE assessments are equal to liens for ad valorem taxes on real property, and senior to all non-tax liens, including mortgages. The underwriting criteria limit the maximum assessment LTV to 15% (except for **originations under MCED's PACE program, which allows 20%**) and PACE assessments do not accelerate due to a default, only the amounts in arrears, including fees and penalties, are due at foreclosure. The underwriting criteria also prohibits total annual property taxes and assessments, including the PACE assessment, to exceed 5% of the property's market value at the time of approval.

The table below shows the amount of annual PACE assessment and real estate tax payments due as a percentage of the property value at the time of origination, absent late penalties and fees, and the property value decline required to experience a loss, given varying amounts of time from default to recovery.

Amount at Risk as % of Property Value		
Foreclosure Time	Annual PACE & Real Estate Tax Payments Due	Property Value Decline Required for Loss
12 Months	5.00%	95.00%
24 Months	10.00%	90.00%
36 Months	15.00%	85.00%
48 Months	20.00%	80.00%
60 Months	25.00%	75.00%

Property values would have to decline significantly to experience any losses at the time of foreclosure. As such, KBRA assumes a 100% recovery of all defaulted PACE assessment payments at the time of foreclosure in the base case.

Cash Flow Stress Scenarios & Results

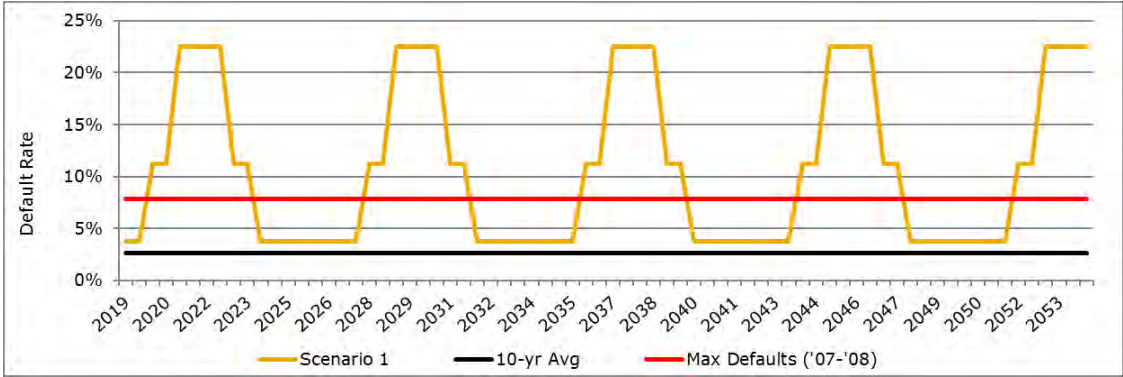
Stress Scenarios

KBRA ran multiple stress scenarios which varied default rates and timing, recovery rates, and time to recovery. The scenarios presented below represent the three most stressful scenarios. To remain conservative regarding the Subsequent PACE Bonds Portfolio, KBRA assumed the maximum percentage share of shorter term, lower coupon PACE Bonds in the aggregate PACE Bond Portfolio permitted by the Eligibility Criteria.

Scenario 1

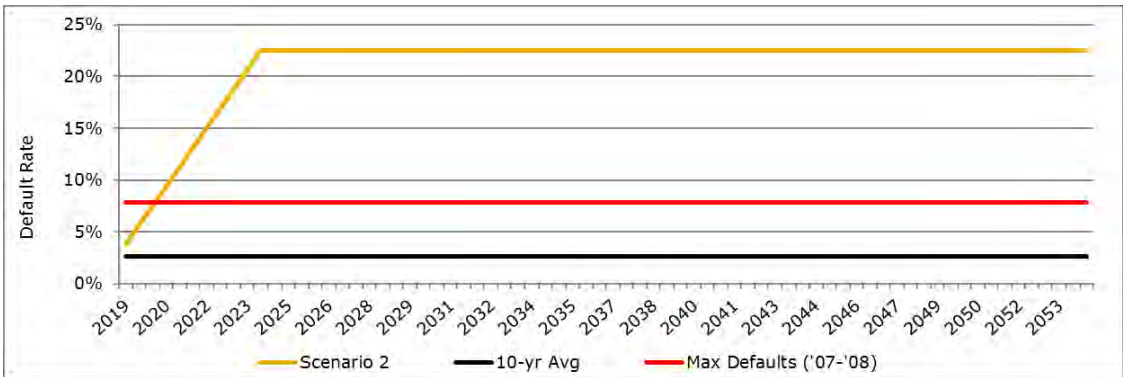
Scenario 1 assumed four 4-year periods of high defaults. In each period, defaults peaked at 22.50%, which is a 6.00x multiple of base case defaults. The scenario also stressed the number of months from the time

of default to the sale of the property from 24 months to 48 months. The recovery rate applied during this scenario was 80.00% compared to 100% in the base case. The default rate applied in this scenario is significantly above the default rates experienced during the 2007-2008 fiscal year, as shown in the chart below.



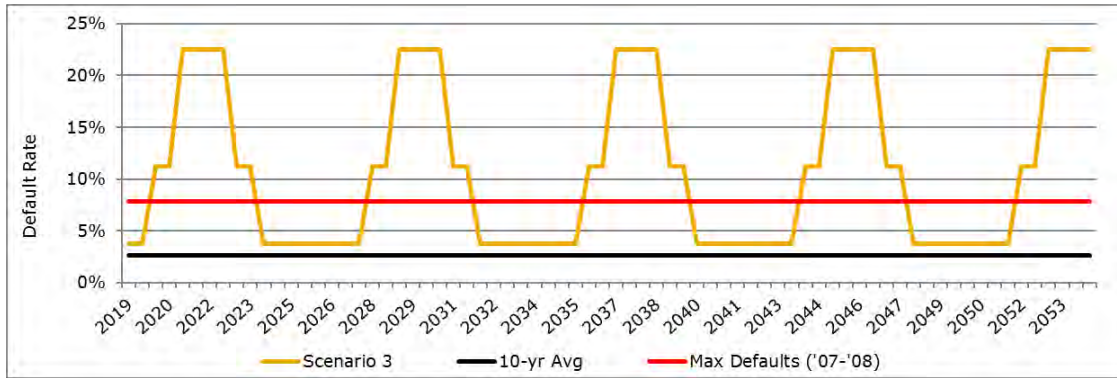
Scenario 2

Scenario 2 assumed default rates rapidly increased at a constant rate, peaking at 22.50% in year six, where it remained throughout the life of the transaction. Similar to Scenario 1, KBRA assumed a 48 month time to recovery and an 80% recovery rate.



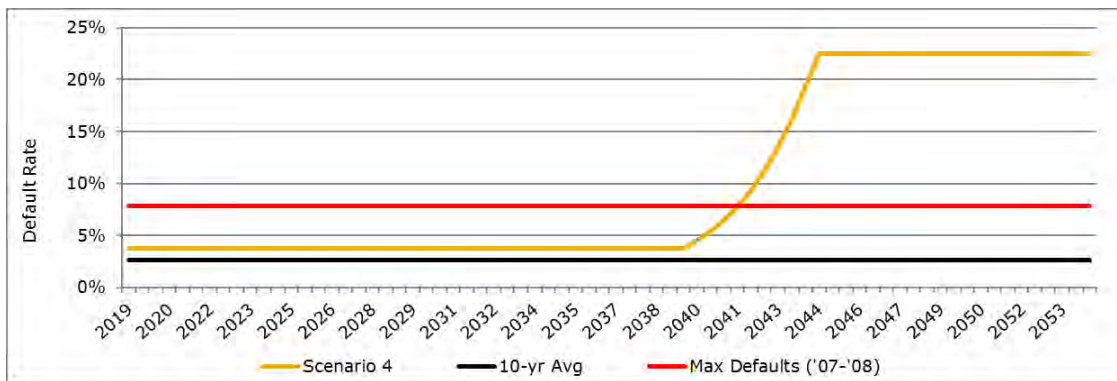
Scenario 3

Scenario 3 assumed that in the event of a default on a PACE Assessment relating to a property encumbered by a Fannie or Freddie lien (and therefore a default on the subordinate mortgage loan), the FHFA was effectively able to nullify the amount due in arrears through litigation. Pursuant to the PACE Bonds Eligibility Criteria, KBRA assumes that approximately 37% of the pool will consist of properties encumbered by a Fannie or Freddie mortgage. As a result, KBRA assumed a blended average of 63% recoveries with respect to each default (i.e. 100% recoveries, albeit delayed 48 months, with respect to the non-Fannie and non-Freddie obligors and 0% recoveries for the delinquent PACE Assessment amounts in arrears with respect to properties that were encumbered with a Fannie or Freddie mortgage).



Scenario 4

Scenario 4 assumed default rates rapidly increased from year 20 to year 25 of the transaction, peaking at 22.50% in year 20 and remaining at that level for the remainder of the transaction. Similar to Scenario 1, KBRA assumed a 48 month time to recovery and an 80% recovery rate.



Stress Scenario Results

The table below shows the results of KBRA’s stress scenarios and the breakeven analysis related to each scenario. In each scenario, timely interest and all principal was paid on the notes by the maturity date.

Stress Scenario Results					
Scenario	Results	Peak Default Rate	Recovery Rate	Peak Severity	Total Severity
Scenario 1	PASS	22.50%	80.00%	4.50%	2.14%
Scenario 2	PASS	22.50%	80.00%	4.50%	3.84%
Scenario 3	PASS	22.50%	63.00%	8.33%	3.96%
Scenario 4	PASS	22.50%	80.00%	4.50%	0.82%

Breakeven Scenario Results					
Scenario	Breakeven	Peak Default Rate	Recovery Rate	Peak Severity	Total Severity
Scenario 1	Recovery Rate	22.50%	14.48%	19.24%	9.14%
Scenario 2	Recovery Rate	22.50%	32.10%	15.28%	13.05%
Scenario 3	Default Rate	54.12%	63.00%	20.02%	9.72%
Scenario 4	Recovery Rate	22.50%	N/A	N/A	N/A

Rating Sensitivity and Surveillance

Events that may result in a rating change to the HERO 2018-1 include but are not limited to the following:

- **Deterioration in the transaction's** asset performance that exceeds historical experience
- Significant regulatory or legislative changes relating to PACE assessments
- **Modifications of the transaction's structure**

After the initial rating is assigned, KBRA will continue to monitor the transaction until the notes are fully repaid. Ongoing surveillance of the notes is critical to maintaining the value of **the rating**. **KBRA's surveillance** process involves a periodic review of the following:

- Servicing reports to determine if all payment obligations are met and the transaction is in compliance with all triggers
- Trends in collateral performance relative to historical experience

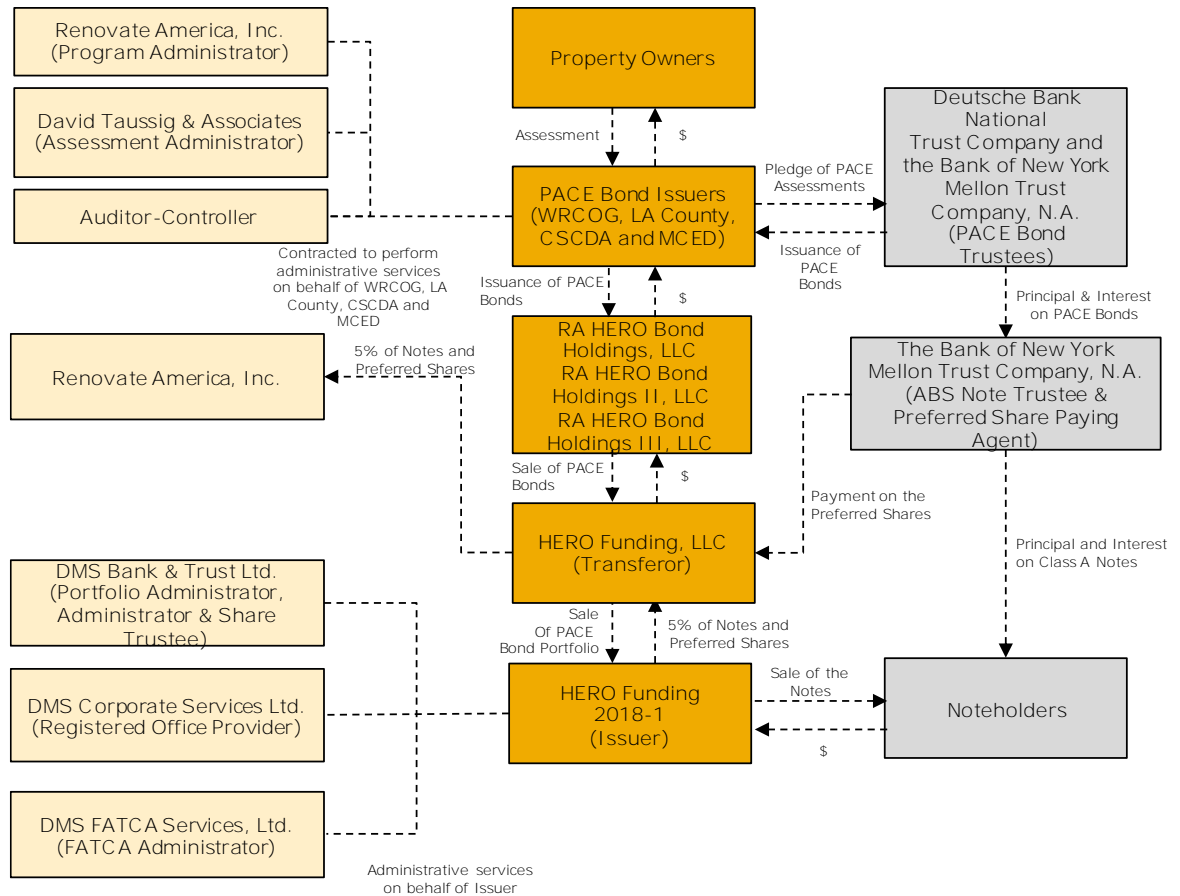
The information gathered during regular surveillance will indicate whether or not a more thorough review is warranted. Additional information may be requested if KBRA believes the credit quality of the transaction has changed from the time of the initial rating assignment or the most recent review. If warranted, KBRA will conduct an in-**depth surveillance review that may result in a change to the transaction's rating and** publish commentary explaining the analysis.

Transaction Structure

Legal Structure

Transaction Structure

The HERO Funding Class A Notes Series 2018-1 are newly issued asset-backed notes collateralized by a pool of Property Assessed Clean Energy ("PACE") bonds. The following diagram illustrates the basic securitization structure:



Certain PACE assessments payable under assessment contracts have been pledged by WRCOG, LA County, CSCDA or MCED, as the case may be, to a PACE Bond Trustee in consideration of the issuance of PACE Bonds. Certain of these PACE Bonds have been purchased by affiliates of the Transferor, and on the closing date these affiliates will sell all of their PACE Bonds to the Transferor, which will then contribute them to the Issuer. The Issuer will then pledge the PACE Bonds to the Class A ABS Note Trustee.

Priority of
Payments Prior to
an Event of
Default

On each payment date prior to an indenture event of default, an optional or mandatory redemption, or the scheduled maturity, and while no County Reserve Period is in effect, available collections will be applied on behalf of the Issuer as follows:

- (i) first, to the Administrator, for payment to the appropriate governmental authority in the Cayman Islands, the amount of any governmental fees due and owing by the Issuer to such governmental authority; second, to the ABS Note Trustee (including as Custodian and Bank), the ABS Note Trustee Fee and any accrued and unpaid ABS Note Trustee Fees with respect to prior Semi-Annual Payment Dates plus any Administrative Expenses and Extraordinary Expenses payable to the ABS Note Trustee; and third, to the Preferred Share Paying Agent, the Preferred Share Paying Agent Fee and any accrued and unpaid Preferred Share Paying Agent Fees with respect to prior Semi-Annual Payment Dates plus any Administrative Expenses and Extraordinary Expenses payable to the Preferred Share Paying Agent;
- (ii) to the Administrator (for payment to itself, the Portfolio Administrator, the Registered Office Provider, the Share Trustee, the Preferred Share Registrar and the FATCA Administrator, on a pro rata and *pari passu* basis), the Administration Fee and any accrued and unpaid Administration Fees with respect to prior Semi-Annual Payment Dates plus any Administrative Expenses and Extraordinary Expenses;
- (iii) on a pro rata and *pari passu* basis, (a) to the Class A1 Noteholders, the Class A1 Note Interest for such Payment Date and (b) to the Class A2 Noteholders, the Class A2 Note Interest for such Payment Date;
- (iv) on a pro rata and *pari passu* basis, to the Class A1 Noteholders and to the Class A2 Noteholders, as payment of principal on the Class A1 Notes and Class A2 Notes, as applicable (and solely to the extent that the funds provided in clauses (A) and (B) below are or remain available):
 - (A) solely from the Principal Remittance Amount, the Class A1 Note Principal Payment and the Class A2 Note Principal Payment for such Payment Date; and
 - (B) from first, the Principal Remittance Amount and second, from any remaining Interest Remittance Amount, the Class A1 Principal Excess and the Class A2 Principal Excess;
- (v) to the Liquidity Reserve Account:
 - (A) solely from the amount of any remaining Principal Remittance Amount, the amount necessary to cause the balance in the Liquidity Reserve Account to equal the Liquidity Reserve Account Cap;
 - (B) solely from any remaining Interest Remittance Amount, on the September 2018 Semi-Annual Payment Date, the amount necessary to cause the balance in the Liquidity Reserve Account to equal the product of 1.75% and the aggregate principal balance of the PACE Bonds in the PACE Bond Portfolio on such Payment Date;
 - (C) solely from any remaining Interest Remittance Amount, on the March 2019 Semi-Annual Payment Date, the amount necessary to cause the balance in the

Liquidity Reserve Account to equal the product of 2.00% and the aggregate principal balance of the PACE Bonds in the PACE Bond Portfolio on such Payment Date; and

(D) solely from any remaining Interest Remittance Amount, the lesser of (x) the aggregate amount of any Liquidity Reserve Draw Amounts from any prior Payment Dates that have not previously been repaid to the Liquidity Reserve Account pursuant to this clause (v)(D), or clause (v)(E) of the County Event Priority of Payments, and (y) the amount necessary to cause the balance in the Liquidity Reserve Account to equal the Liquidity Reserve Account Cap;

(vi) first, to the ABS Note Trustee (including as Custodian and Bank); second, to the Preferred Share Paying Agent; and third, to the Administrator (for payment to itself, the Portfolio Administrator, the Registered Office Provider, the Share Trustee, the Preferred Share Registrar and the FATCA Administrator, on a pro rata and pari passu basis), any remaining Available Funds necessary to fund unreimbursed amounts set forth in the definitions of Administrative Expenses and Extraordinary Expenses but not previously paid due to the application of the annual funding limit specified in such definitions;

(vii) to Renovate America, the RA Advance Fee;

(viii) to the Class B Noteholders, the Class B Note Interest for such Semi-Annual Payment Date;

(ix) to the Class B Noteholders, payments of principal on the Class B Notes until the Class B Outstanding Principal Balance is zero;

(x) to the Preferred Share Paying Agent in accordance with the related Payment Date Report for deposit in the Preferred Share Payment Account (as defined in the Preferred Share Paying Agency Agreement) for distribution to the holders of the Preferred Shares, any remaining Available Funds plus any Liquidity Reserve Excess Amount then on deposit in the Liquidity Reserve Account.

“Principal Remittance Amount” means all collections constituting payments of principal on the PACE Bonds (including prepayments and recoveries).

“Interest Remittance Amount” means all collections on the PACE Bonds not constituting Principal Remittance Amounts.

Amounts paid under steps i, ii, and iii above will be paid from the following sources in the following order:

- first, from the Interest Remittance Amount
- second, from the Liquidity Reserve Account
- third, from the Principal Remittance Amount

Priority of
Payments
following an
Event of Default

On each payment date following an indenture event of default, an optional or mandatory redemption, and on the maturity date, available funds and all amounts in the Liquidity Reserve Account and the County Reserve Account will be distributed as follows:

- (i) all payments required and in the order required by clauses (i) and (ii) of the Priority of Payments, which if such Payment Date is an Interim Payment Date on which an Optional Redemption is occurring, the fee amounts required to be paid under clause (ii) of the Priority of Payments shall be calculated on the basis of a 360-day year consisting of twelve 30-day months;
- (ii) on a pro rata and *pari passu* basis (A) to the Class A1 Noteholders, any Class A1 Note Interest due and payable at such time and (B) to the Class A2 Noteholders, any Class A2 Note Interest due and payable at such time;
- (iii) on a pro rata and *pari passu* basis (A) to the Class A1 Noteholders, payments of principal on the Class A1 Notes until the Class A1 Outstanding Principal Balance is zero and (B) to the Class A2 Noteholders, payments of principal on the Class A2 Notes until the Class A2 Outstanding Principal Balance is zero;
- (iv) first, to the ABS Note Trustee (including as Custodian and Bank); second, to the Preferred Share Paying Agent; third, to the Administrator (for payment to itself, the Portfolio Administrator, the Registered Office Provider, the Share Trustee, the Preferred Share Registrar and the FATCA Administrator, on a pro rata and *pari passu* basis) any remaining Available Funds necessary to fund unreimbursed amounts set forth in the definitions of Administrative Expenses and Extraordinary Expenses but not previously paid due to the application of the annual funding limit specified in such definitions;
- (v) to Renovate America, the RA Advance Fee;
- (vi) to the Class B Noteholders, any Class B Note Interest due and payable at such time;
- (vii) to the Class B Noteholders, payments of principal on the Class B Notes until the Class B Outstanding Principal Balance is zero;
- (viii) all remaining amounts to the Preferred Share Payment Account for distribution to the holders of the Preferred Shares in accordance with the Preferred Share Paying Agency Agreement.

Amounts paid under clauses (i) and (ii) shall be paid from the following sources in the following order: (1) first, from the Interest Remittance Amount, (2) second, from the Liquidity Reserve Draw Amount, and (3) third, from the Principal Remittance Amount.

On an Interim Payment Date when the Redemption Priority of Payments applies, after making the allocation set out in clause (i) of the Redemption Priority of Payments, all remaining Available Funds will be distributed, on a pro rata and *pari passu* basis to the Class A Noteholders as a repayment of principal on the Class A Notes based on the Class A1 Percentage and Class A2 Percentage.

Priority of
Payments During
a County Event

During any period when a county is either rated below investment grade or becomes a debtor in a proceeding under Chapter 9 of the U.S. Bankruptcy Code, the priority of payment changes. This following waterfall will remain in effect until shortfalls due to a bankruptcy of the county have been repaid in full and either the county is restored to investment grade or certain other events occur.

- (i) first, to the Administrator, for payment to the appropriate governmental authority in the Cayman Islands, the amount of any governmental fees due and owing by the Issuer to such governmental authority; second, to the ABS Note Trustee (including as Custodian and Bank), the ABS Note Trustee Fee and any accrued and unpaid ABS Note Trustee Fees with respect to prior Semi-Annual Payment Dates plus any Administrative Expenses and Extraordinary Expenses payable to the ABS Note Trustee; and third, to the Preferred Share Paying Agent, the Preferred Share Paying Agent Fee and any accrued and unpaid Preferred Share Paying Agent Fees with respect to prior Semi-Annual Payment Dates plus any Administrative Expenses and Extraordinary Expenses payable to the Preferred Share Paying Agent;
- (ii) to the Administrator (for payment to itself, the Portfolio Administrator, the Registered Office Provider, the Share Trustee, the Preferred Share Registrar and the FATCA Administrator, on a pro rata and *pari passu* basis), the Administration Fee and any accrued and unpaid Administration Fees with respect to prior Semi-Annual Payment Dates plus any Administrative Expenses and Extraordinary Expenses;
- (iii) on a pro rata and *pari passu* basis (A) to the Class A1 Noteholders, the Class A1 Note Interest for such Payment Date and (B) to the Class A2 Noteholders, the Class A2 Note Interest for such payment Date;
- (iv) on a pro rata and *pari passu* basis:
 - (1) to the Class A1 Noteholders as payment of principal on the Class A1 Notes (and solely to the extent that the funds provided in clauses (A), (B) and (C) below are or remain available):
 - (A) solely from the Principal Remittance Amount (but excluding any amount of County Principal Shortfall Recoveries) an amount equal to the Class A1 Note Principal Payment for such Payment Date;
 - (B) from first, the Principal Remittance Amount (but excluding any amount of County Principal Shortfall Recoveries) and second, from any remaining Interest Remittance Amount, the Class A1 Principal Excess; and
 - (C) from first, the amount of any County Principal Shortfall Recoveries, second from the County Reserve Account, third, from the Liquidity Reserve Account, and fourth from any other remaining Available Funds, the aggregate amount of any County Principal Shortfalls, if any (except to the extent previously paid pursuant to this clause (iv)(1)(C)); and

(2) to the Class A2 Noteholders as payment of principal on the Class A2 Notes (and solely to the extent that the funds provided in clauses (A), (B) and (C) below are or remain available):

- (A) solely from the Principal Remittance Amount (but excluding any amount of County Principal Shortfall Recoveries) an amount equal to the Class A2 Note Principal Payment for such Payment Date;
 - (B) from first, the Principal Remittance Amount (but excluding any amount of County Principal Shortfall Recoveries) and second, from any remaining Interest Remittance Amount, the Class A2 Principal Excess; and
 - (C) from first, the amount of any County Principal Shortfall Recoveries, second from the County Reserve Account, third, from the Liquidity Reserve Account, and fourth from any other remaining Available Funds, the aggregate amount of any County Principal Shortfalls, if any (except to the extent previously paid pursuant to this clause (iv)(2)(C)); and
- (v) to the Liquidity Reserve Account:
- (A) solely from the amount of any remaining County Principal Shortfall Recoveries, the lesser of (x) the aggregate amount of any previous withdrawals from the Liquidity Reserve Account pursuant to clause (v)(C) of the County Event Priority of Payments on any prior Payment Dates that have not previously been repaid to the Liquidity Reserve Account pursuant to this clause (v)(A), and (y) the amount necessary to cause the balance in the Liquidity Reserve Account to equal the Liquidity Reserve Account Cap;
 - (B) solely from any remaining Principal Remittance Amount (but excluding any amount of County Principal Shortfall Recoveries), the amount necessary to cause the balance to equal the Liquidity Reserve Account Cap;
 - (C) solely from any remaining Interest Remittance Amount, on the September 2018 Semi-Annual Payment Date, the amount necessary to cause the balance in the Liquidity Reserve Account to equal the product of 1.75% and the aggregate principal balance of the PACE Bonds in the PACE Bond Portfolio on such Payment Date;
 - (D) solely from any remaining Interest Remittance Amount, on the March 2019 Semi-Annual Payment Date, the amount necessary to cause the balance in the Liquidity Reserve Account to equal the product of 2.00% and the aggregate principal balance of the PACE Bonds in the PACE Bond Portfolio on such Payment Date; and
 - (E) solely from any remaining Interest Remittance Amount, the lesser of (x) the aggregate amount of any Liquidity Reserve Draw Amounts from any prior Payment Dates that have not previously been repaid to the Liquidity Reserve Account pursuant to this

clause (v)(E) or clause (v)(D) of the Priority of Payments, and (y) the amount necessary to cause the balance in the Liquidity Reserve Account to equal the Liquidity Reserve Account Cap;

- (vi) first, to the ABS Note Trustee (including as Custodian and Bank); second, to the Preferred Share Paying Agent; and third, to the Administrator (for payment to itself, the Portfolio Administrator, the Registered Office Provider, the Share Trustee, the Preferred Share Registrar and the FATCA Administrator, on a pro rata and pari passu basis), any remaining Available Funds necessary to fund unreimbursed amounts set forth in the definitions of Administrative Expenses and Extraordinary Expenses but not previously paid due to the application of the annual funding limit specified in such definitions;
- (vii) to the County Reserve Account, with respect to any County as to which a County Reserve Period is in effect as of two Business Days prior to such Payment Date, an amount equal to the product of (x) any remaining Available Funds plus any Liquidity Reserve Excess Amount then on deposit in the Liquidity Reserve Account, multiplied by (y) the County Percentage for such County;
- (viii) to Renovate America, the RA Advance Fee;
- (ix) to the Class B Noteholders, the Class B Note Interest for such Semi-Annual Payment Date;
- (x) to the Class B Noteholders, payments of principal on the Class B Notes until the Class B Outstanding Principal Balance is zero; and
- (xi) to the Preferred Share Paying Agent in accordance with the related Payment Date Report for deposit in the Preferred Share Payment Account for distribution to the holders of the Preferred Shares, any remaining Available Funds plus any Liquidity Reserve Excess Amount then on deposit in the Liquidity Reserve Account.

Amounts paid under steps 1, 2, 3 and 4 above will be paid from the following sources in the following order:

- first, from the Interest Remittance Amount
- second, from the Liquidity Account
- third, from the County Reserve Account
- fourth, from the Principal Remittance Amount

* In this waterfall, Principal Remittance Amount will exclude recoveries of shortfalls due to the bankruptcy of the related County

Events of Default

The occurrence of any of the following events will be an “event of default” under the indenture:

1. failure to pay timely interest;
2. failure to pay the principal balance of the notes at maturity;
3. a statute, rule or regulation becomes effective following the closing date, or there is a final, non-appealable judgment of a court of competent jurisdiction following the closing date, which has a material adverse effect on the validity or enforceability of the PACE Bonds, **a PACE Bond Issuer’s** ability to perform its payment obligations under the respective PACE Bond Indenture, a PACE Bond **Issuer’s** rights to receive payments in respect of the PACE Assessments or its liens on the participating parcels, or the **Issuer’s ability to make payments** (excluding the effect of a bankruptcy of a county) on the notes;
4. certain defaults of covenants by the Issuer under the indenture continue unremedied for 60 days after notice;
5. certain bankruptcy events occur with respect to the Issuer;
6. failure of the transaction documents to create, attach and perfect a valid first-priority security interest in any material Collateral that, if curable, is not cured within 30 days after notice;
7. certain breaches of Issuer representations or warranties under the indenture;
8. the Issuer becomes subject to U.S. federal or state income tax on a net income basis;
9. a final non-appealable, uninsured judgment of \$500,000 or more against the Issuer that is not cured within 30 days;
10. failure to pay any shortfalls due to **a county’s** bankruptcy by the second payment date following the shortfall;
11. certain breaches of Transferor, Renovate America, or Issuer representations, warranties or covenants under the transaction documents that have a material **adverse effect on the Issuer’s ability to make payments on the** notes which continue unremedied for 60 days after notice;
12. an ERISA or tax lien securing the payment of money in excess of \$5,000,000 is rendered against the Issuer;
13. the Portfolio Administrator is terminated or resigns, and a replacement is not appointed within 90 days; or
14. **the Issuer is required to register as an “Investment Company” under the Investment Company Act.**

Representations
& Warranties

For more detailed information regarding the representations, warranties and enforcement mechanisms available under the transaction documents, please see **KBRA’s** [Representations and Warranties Disclosure](#), which was published contemporaneously with the pre-sale report on May 10, 2018.

Appendix A: PACE Bonds Eligibility Criteria

TERM & COUPON¹:

Max % of Pool Balance with 5 year Term and 2.99% Coupon = 2.00%
Max % of Pool Balance with 10 year Term and 2.99% Coupon = 5.50%
Max % of Pool Balance with 5 year Term and 3.49% Coupon = 2.00%
Max % of Pool Balance with 10 year Term and 3.49% Coupon = 2.00%
Max % of Pool Balance with 15 year Term and 3.99% Coupon = 8.00%
Max % of Pool Balance with 5 year Term and 4.49% Coupon = 1.50%
Max % of Pool Balance with 15 year Term and 4.49% Coupon = 2.00%
Max % of Pool Balance with 5 year Term and 4.99% Coupon = 2.00%
Max % of Pool Balance with 10 year Term and 4.99% Coupon = 2.00%
Max % of Pool Balance with 20 year Term and 4.99% Coupon = 11.00%
Max % of Pool Balance with 5 year Term and 5.49% Coupon = 1.00%
Max % of Pool Balance with 10 year Term and 5.49% Coupon = 2.00%
Max % of Pool Balance with 15 year Term and 5.49% Coupon = 1.00%
Max % of Pool Balance with 20 year Term and 5.49% Coupon = 2.00%
Max % of Pool Balance with 25 year Term and 5.49% Coupon = 12.00%
Max % of Pool Balance with 5 year Term and 5.99% Coupon = 3.00%
Max % of Pool Balance with 10 year Term and 5.99% Coupon = 1.50%
Max % of Pool Balance with 15 year Term and 5.99% Coupon = 3.00%
Max % of Pool Balance with 20 year Term and 5.99% Coupon = 1.50%
Min % of Pool Balance with 10 year Term and 6.49% Coupon = .01%
Min % of Pool Balance with 15 year Term and 6.49% Coupon = .01%
Min % of Pool Balance with 20 year Term and 6.49% Coupon = .50%
Min % of Pool Balance with 25 year Term and 6.49% Coupon = .01%
Min % of Pool Balance with 5 year Term and 6.75% Coupon = .50%
Min % of Pool Balance with 25 year Term and 6.79% Coupon = .01%
Min % of Pool Balance with 5 year Term and 6.99% Coupon = .01%
Min % of Pool Balance with 10 year Term and 6.99% Coupon = 3.00%
Min % of Pool Balance with 15 year Term and 6.99% Coupon = .01%
Min % of Pool Balance with 20 year Term and 6.99% Coupon = .01%
Min % of Pool Balance with 25 year Term and 7.25% Coupon = .01%
Min % of Pool Balance with 15 year Term and 7.49% Coupon = 5.00%
Min % of Pool Balance with 20 year Term and 7.49% Coupon = .01%
Min % of Pool Balance with 10 year Term and 7.69% Coupon = 4.00%
Min % of Pool Balance with 20 year Term and 7.69% Coupon = 3.00%
Min % of Pool Balance with 25 year Term and 7.79% Coupon = 4.00%
Min % of Pool Balance with 10 year Term and 7.99% Coupon = 1.00%
Min % of Pool Balance with 15 year Term and 8.15% Coupon = 6.00%
Min % of Pool Balance with 20 year Term and 8.35% Coupon = 7.00%
Min % of Pool Balance with 25 year Term and 8.35% Coupon = 9.00%
Min % of Pool Balance with 15 year Term and 8.79% Coupon = .50%
Min % of Pool Balance with 20 year Term and 8.99% Coupon = .50%

FICO:

Max % of Pool Balance with FICO < 490 = 3.00%
Max % of Pool Balance with FICO < 500 = 3.00%
Max % of Pool Balance with FICO < 510 = 3.50%
Max % of Pool Balance with FICO < 520 = 4.00%
Max % of Pool Balance with FICO < 530 = 5.00%
Max % of Pool Balance with FICO < 540 = 6.00%
Max % of Pool Balance with FICO < 550 = 7.00%

¹ The coupon applies to the rate on the underlying assessments.

Max % of Pool Balance with FICO < 560 = 9.00%
Max % of Pool Balance with FICO < 570 = 10.50%
Max % of Pool Balance with FICO < 580 = 12.50%
Max % of Pool Balance with FICO < 590 = 15.00%
Max % of Pool Balance with FICO < 600 = 18.00%
Max % of Pool Balance with FICO < 610 = 21.50%
Max % of Pool Balance with FICO < 620 = 25.00%
Max % of Pool Balance with FICO < 630 = 30.00%
Max % of Pool Balance with FICO < 640 = 35.00%
Max % of Pool Balance with FICO < 650 = 39.50%
Max % of Pool Balance with FICO < 660 = 45.00%
Max % of Pool Balance with FICO < 670 = 50.00%
Max % of Pool Balance with FICO < 680 = 55.00%
Max % of Pool Balance with FICO < 690 = 59.50%
Max % of Pool Balance with FICO < 700 = 64.00%

ASSESSMENT LTV:

MAX % of Pool Balance with Assessment LTV > 5.00% and <= 15.00% = 66.00%
MAX % of Pool Balance with Assessment LTV > 7.00% and <= 15.00% = 46.00%
MAX % of Pool Balance with Assessment LTV > 9.00% and <= 15.00% = 32.00%
MAX % of Pool Balance with Assessment LTV > 11.00% and <= 15.00% = 20.50%
MAX % of Pool Balance with Assessment LTV > 13.00% and <= 15.00% = 12.50%

MORTGAGE LTV:

MAX % of Pool Balance with Mortgage LTV > 80.00% = 17.00%
MAX % of Pool Balance with Mortgage LTV > 82.00% = 13.50%
MAX % of Pool Balance with Mortgage LTV > 84.00% = 10.00%
MAX % of Pool Balance with Mortgage LTV > 86.00% = 7.50%
MAX % of Pool Balance with Mortgage LTV > 88.00% = 5.00%

COMBINED LTV:

MAX % > 90.00% = 14.00%
MAX % > 92.00% = 11.00%
MAX % > 94.00% = 8.00%
MAX % > 96.00% = 5.50%
MAX % > 98.00% = 2.50%

MORTGAGE SEASONING:

MIN % of Pool Balance with Mortgage Origination Dates prior to 2012 = 24.00%
MIN % of Pool Balance with Mortgage Origination Dates prior to 2013 = 29.00%
MIN % of Pool Balance with Mortgage Origination Dates prior to 2014 = 35.00%

PROPERTY TYPE:

MIN % of Pool Balance that are Single Family Homes Single Family Home = 93.00%

COUNTIES:

MIN % of Pool Balance in Counties rated AA- and above = 79.00%
MIN % of Pool Balance in Counties rated A- and above = 97.00%
MAX % of Pool Balance in Largest County = 30.00%
MAX % of Pool Balance in 2 Largest Counties = 40.00%
MAX % of Pool Balance in 3 Largest Counties = 49.00%
MAX % of Pool Balance in 4 Largest Counties = 58.00%
MIN % of Pool Balance in Los Angeles, Riverside, San Diego, San Bernardino, San Joaquin, Orange = 64.00%
MAX % of Pool Balance any other county = 5.00%

GSE:

Max % of Pool Balance with Freddie & Fannie Mortgages = 37.00%

State:

Max % of PACE Bond Portfolio located in MO = 9.06%

In addition to the above, the Issuer may purchase Subsequent PACE Bonds during the Prefunding Period so long as the Subsequent PACE Bonds (in the aggregate) satisfy all of the following eligibility criteria after giving effect to such purchase.

MO SEASONING:

Max of Subsequent PACE Bond Portfolio Balance (aggregate principal balance of all subsequent PACE Bonds as of their respective Cut-off Dates) located in MO and < 60 days seasoned = \$0

COUNTIES:

Max % of Subsequent PACE Bond Portfolio Balance (aggregate principal balance of all subsequent PACE Bonds as of their respective Cut-off Dates) located in MO as percent of Pool Balance = 1.58%

Note: Pool Balance refers to the PACE Bond Portfolio Cut-Off Date Balance.

Appendix B: Underwriting Criteria

Issuer State	WRCOG CA	CSCDA CA	LA County CA	MCED MO
Property-Based Criteria				
Mortgage Debt	Mortgage(s) must be current; no more than one 30-day late payment in the last 12 months	Mortgage(s) must be current; no more than one 30-day late payment in the last 12 months	Mortgage(s) must be current; no more than one 30-day late payment in the last 12 months	Mortgage(s) must be current; no more than one 30-day late payment in the last 12 months
Mortgage Notice of Default	No current notice of default	No current notice of default	No notice of default recorded within the last 2 years (or since applicant has owned the property, whichever is less).	No current notice of default
Property Taxes	Must be current with no more than one late regular installment in the last 3 years (or since applicant has owned the property, whichever is less)	Must be current with no more than one late regular installment in the last 3 years (or since applicant has owned the property, whichever is less)	Must be current with no more than one late regular installment in the last 3 years (or since applicant has owned the property, whichever is less)	Must be current and no late regular installments in the last 3 years (or since applicant has owned the property, whichever is less)
LTV	N/A, see max CLTV.	N/A see max CLTV	< 90%	N/A see max CLTV.
CLTV	< 97	< 97	< 97	< 100%
Homeowner-Based Criteria				
Bankruptcy of property owner (BK)	(i) No BK in the last 7 years, or (ii) if BK 2-7 years ago, then no more than one 30-day late payment in the last 12 months on nonmortgage debt (excluding medical debt) and no more than one 30-day late mortgage payment in the last 12 months	(i) No BK in the last 7 years, or (ii) if BK 2-7 years ago, then no more than one 30-day late payment in the last 12 months on nonmortgage debt (excluding medical debt) and no more than one 30-day late mortgage payment in the last 12 months	(i) No BK in the last 7 years, or (ii) if BK 2-7 years ago, then no more than one 30-day late payment in the last 12 months on nonmortgage debt (excluding medical debt) and no more than one 30-day late mortgage payment in the last 12 months	No BK in the last 12 months
Involuntary Liens on the property	No involuntary liens greater than \$1,000.00	No involuntary liens greater than \$1,000.00	No involuntary liens greater than \$1,000.00	No involuntary liens greater than \$1,000.00
Income	Prior to 3/29/18 stated household income is collected and may impact application approval and maximum approval amounts (no minimum income). After 3/29/18, residual income is collected, and it is the amount of verified income minus debt obligations (including housing and credit expenses) minus living expenses.	Prior to 3/29/18 stated household income is collected and may impact application approval and maximum approval amounts (minimum income of \$1,000 per month). After 3/29/18, residual income is collected, and it is the amount of verified income minus debt obligations (including housing and credit expenses) minus living expenses.	Prior to 3/29/18stated household income is collected and may impact application approval and maximum approval amounts (minimum income of \$1,000 per month). After 3/29/18, residual income is collected, and it is the amount of verified income minus debt obligations (including housing and credit expenses) minus living expenses.	Household income may be a consideration and may impact application approval and maximum approval amounts. (Minimum stated gross household monthly income is \$1,000).
Assessment Limitations				
Minimum Financing Amount	\$5,000.00	\$2,500.00	\$5,000.00	\$2,500.00
Maximum Financing Amount	Proprietary calculation based on property value, residual income and maximum approval amount requirements.	Proprietary calculation based on property value, residual income and maximum approval amount requirements.	Proprietary calculation based on property value, residual income and maximum approval amount, not exceeding \$250,000	Lower of: (a) 15 times the gross monthly household income or (b) up to 20% of the property value.
Maximum Term	25 years	25 years	25 years	20 years
Annual Assessment + Tax Cap	Annual property taxes + PACE assessment and any other assessment < 5% of property value	Annual property taxes + PACE assessment and any other assessment < 5% of property value	Annual property taxes + PACE assessment and any other assessment < 5% of property value	Annual property taxes + PACE assessment and any other assessment < 5% of property value

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Western Riverside Council of Governments Administration & Finance Committee

Staff Report

Subject: PACE Programs Activities Update and Proposed Fee Adjustments

Contact: Casey Dailey, Director of Energy & Environmental Programs, cdailey@wrcoq.us, (951) 405-6720

Date: February 14, 2018

The purpose of this item is to discuss and receive direction from the Committee on proposed WRCOG PACE origination fees adjustments via an updated Master Bond Purchase Agreement and the amendment to the Professional Service Agreement with David Taussig & Associates.

Requested Actions:

1. Recommend that the Executive Committee approve the 1st Amendment to Master Bond Purchase Agreement between WRCOG and Renovate America.
2. Recommend that the Executive Committee approve the 2nd Amendment to the Professional Services Agreement between WRCOG and David Taussig & Associates.
3. Direct the WRCOG Executive Director to seek a legislative exemption from SB 2 on imposed fees for PACE real estate transactions.

WRCOG's PACE Programs provide financing to property owners to implement energy saving, renewable energy, and water conserving improvements to their homes and businesses. Improvements must be permanently fixed to the property and must meet certain criteria to be eligible for financing. Financing is paid back through a lien placed on the property tax bill. The HERO Program was initiated in December 2011 and has been expanded (an effort called "California HERO") to allow for jurisdictions throughout the state to join WRCOG's Program and allow property owners in these jurisdictions to participate. WRCOG now offers CaliforniaFIRST, Greenworks, Spruce PACE, and PACE Funding as additional PACE Programs under the WRCOG PACE umbrella.

Bond Reserve Fund and Master Bond Purchase Agreement

The Master Bond Purchase Agreement (Attachment 1) between WRCOG and Renovate America establishes the parameters around the purchasing of bonds by Renovate America or its designee. Currently, the HERO Program receives revenue from a one-time assessment administrative fee on each project (similar to closing costs) of 4.99%. The one-time administrative fee supports Program administration and is split amongst the HERO Team, which includes Best Best & Krieger (BB&K), David Taussig & Associates (DTA), Public Financial Management (PFM) Renovate America, WRCOG, and the reserve for bond holders. This fee is what is utilized by WRCOG to staff the Programs, with any remaining net revenues allocated by the Executive Committee to Agency reserves, to members for various projects, the Fellowship Program, and for other regional project development (such as the Streetlight Program and Community Choice Aggregation feasibility and implementation).

The bond reserve is held by the Deutsche Bank, the Program Trustee, and is used to cover any shortfalls to the bond holder that results from a property owner not paying their annual assessment. Due to the total volume of HERO assessments put onto the tax roll on an annual basis, it has been determined by PFM,

WRCOG's Financial Advisor, that the current bond reserve allocation (0.075%) is not adequate to cover a large amount of delinquencies, and that the bond reserves allocation needs to be increased to 0.25%. This change would increase the 4.99% one-time administrative fee to 5.17%. For comparison, other PACE Provider fees range from 4.99% to 6.4%. PFM conducts regular review of the bond reserve and, throughout the life of the Program, the bond reserve allocation has been adjusted to provide sufficient coverage for the bond holders. Previously, any changes in the bond reserve or the administrative fee was covered by Renovate America. Due to the decrease in new assessments, Renovate America is no longer in a position to absorb an increase of 0.175%. In other terms, the increase in the administrative fee equates to an increase of \$36.00 to a homeowner with an average assessment of \$20,000.

Staff is requesting the Administration & Finance Committee recommend that the Executive Committee approve the 1st Amendment to the Master Bond Purchase Agreement to increase the bond reserve allocation of the one-time administrative fee to 0.25% to ensure that the bond holders would remain whole in case of any high delinquency amounts and that WRCOG would not need to cover those potential amounts.

Annual Administrative Fees

An Annual Assessment Administrative Fee of \$25 is collected with each PACE assessment payment and covers the costs for placing the assessment onto the tax roll each year by DTA, Deutsche Bank, and the various Counties. Currently, the Annual Assessment Administrative Fee is split between DTA, Deutsche Bank and the Counties. During PFM's regular review of Program costs, it has been determined that an increase of \$15 is needed as follows. \$10 is needed to cover actual costs for DTA. \$5 is proposed to be used to increase the Program Reserve in order to prepare the annual assessment levy for HERO assessments (a 25-year obligation for some assessments) in a worst-case scenario where the HERO Program dissolved. Increasing the Program Reserve by \$5 would provide sufficient funds to ensure that BB&K, DTA and the Counties would be adequately covered.

Staff is requesting the Administration & Finance Committee recommend the Executive Committee approve the 2nd amendment to DTA agreement (Attachment 2) and to add an additional \$5 to the annual Administrative Fee to fund a Program Reserve that would ensure the HERO Team has the ability to adequately service the assessments over the next 25-years. This increase would bring the total Annual Assessment Administrative Fee to \$40.

SB 2 Impacts

On September 29, 2017, Senate Bill 2 (SB 2) was chaptered into law, creating a permanent source of funding for affordable housing by imposing fees of up to \$225 on certain real-estate transactions. When SB 2 was originally proposed, it was thought that PACE recordings would not be subject to the increased fees. However, as the law is currently being interpreted and applied by the County Recorder Offices, PACE assessments are subject to the fees.

When a property owner enters into an assessment with WRCOG, the property owner pays the recording costs (as outlined in their financing documents). WRCOG is currently collecting \$75 to record the Notice of Assessment and Payment of Contractual Assessment Required, which is required by the Streets and Highway Code, and is now seeing the impacts of SB 2, which has increased the recording costs by 100%. The PACE Program will be increasing the recording costs from \$75 to \$150 per transaction (i.e., recording of the original assessment, prepayments, and release of liens). Staff estimates the recording costs increase will be complete by March 1, 2018.

WRCOG staff and the HERO Team do not believe the PACE assessment should be included as a real-estate transaction, and believe there needs to be a legislative remedy that would exempt PACE assessments from the provisions of SB 2. WRCOG staff is requesting the Administration & Finance Committee recommend to the Executive Committee that WRCOG work with PACE program interests and partners to pursue legislation that would exempt PACE-related real estate transactions from the provisions of SB 2.

Prior Action:

February 5, 2018: The Executive Committee 1) received WRCOG PACE Program Summary; 2) conducted a Public Hearing regarding the inclusion of the City of Petaluma for purposes of considering the modification of the Program Report for the California HERO Program to increase the Program Area to include such additional jurisdictions and to hear all interested persons that may appear to support or object to, or inquire about the Program; 3) adopted WRCOG Resolution Number 46-17; A Resolution of the Executive Committee of the Western Riverside Council of Governments confirming modification of the California HERO Program Report so as to expand the Program area within which contractual assessments may be offered; 4) authorized the Executive Director to continue utilizing Baker Tilly to conduct future operational analyses / audits of its residential PACE Programs; 5) authorized the Executive Director to execute a Professional Service Contract with Baker Tilly for operational analysis / audit of Renovate America, in an amount not to exceed \$140,000 for the Fiscal Year 2016/2017.

Fiscal Impact:

The SB 2 and administrative fee increases are both pass-thru items to offset costs; however the one-time administrative fee increase from 4.99% to 5.17% is to increase the amount allocated to the PACE bond reserve.

Attachments:

1. First Amendment to the WRCOG / Renovate America Master Bond Purchase Agreement.
2. Second Amendment to Professional Services Agreement Between Western Riverside Council of Governments and David Taussig & Associates.



METHODOLOGY

Rating U.S. Property Assessed
Clean Energy (PACE)
Securitizations

Related Research:

- Unified Interest Rate Model for Rating U.S. Structured Finance Transactions
- DBRS Master U.S. ABS Surveillance Methodology
- Legal Criteria for U.S. Structured Finance
- Operational Risk Assessment for U.S. ABS Originators
- Operational Risk Assessment for U.S. ABS Servicers

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All DBRS ratings and research are available in hard-copy format and electronically on Bloomberg and at DBRS.com, our lead delivery tool for organized, web-based, up-to-the-minute information. We remain committed to continuously refining our expertise in the analysis of credit quality and are dedicated to maintaining objective and credible opinions within the global financial marketplace.

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Scope and Limitations

DBRS evaluates both qualitative and quantitative factors when assigning ratings to a U.S. structured finance transaction. This methodology represents the current DBRS approach for rating securitizations backed by property assessed clean energy (PACE) assessments and other related assets and proceeds thereof. It describes the DBRS approach to analysis, which includes (i) a focus on the quality of the originator and other parties involved in the transaction, (ii) evaluation of the collateral pool and (iii) historical collateral performance evaluation techniques. This report also outlines the asset class and discusses the methods DBRS typically employs when assessing a transaction and assigning a rating. It is important to note that the methods described herein may not be applicable in all cases. Further, this methodology is meant to provide guidance regarding the DBRS methods used in the sector and should not be interpreted as prescribing a rigid template, but understood in the context of the dynamic environment in which it is intended to be applied.

Executive Summary

DBRS typically evaluates both qualitative and quantitative factors when assigning ratings for U.S. PACE assessments securitization transactions, including the following:

- Quality of originations;
- Quality of servicing;
- Delinquency, default and loss expectations for underlying PACE assessments;
- Cash flow analysis;
- Transaction capital structure; and
- Legal structure and opinions.

PACE programs are designed to enable local governments to finance renewable energy, energy efficiency and water conservation improvement projects (either directly or through private sector capital) for privately owned residential and commercial properties. PACE programs have been enacted in a large number of states and municipalities. They have also been touted as a tool to generate green jobs and economic activity at the local level while helping to achieve public policy goals of carbon reduction and other environmental impact improvements, distributed power generation and reduced reliance on foreign fuel imports. The programs mitigate two primary barriers to widespread installations of promoted systems and improvements: large upfront costs and lack of available financing. PACE funding can be used to finance a wide variety of clean energy, energy efficiency and water conservation installations, including air & duct sealing, insulation, major systems (e.g., heating, ventilation and A/C (HVAC), efficient lighting, improved irrigation and water heating) and renewable energy production (e.g., solar PV and solar thermal) (the Improvement).

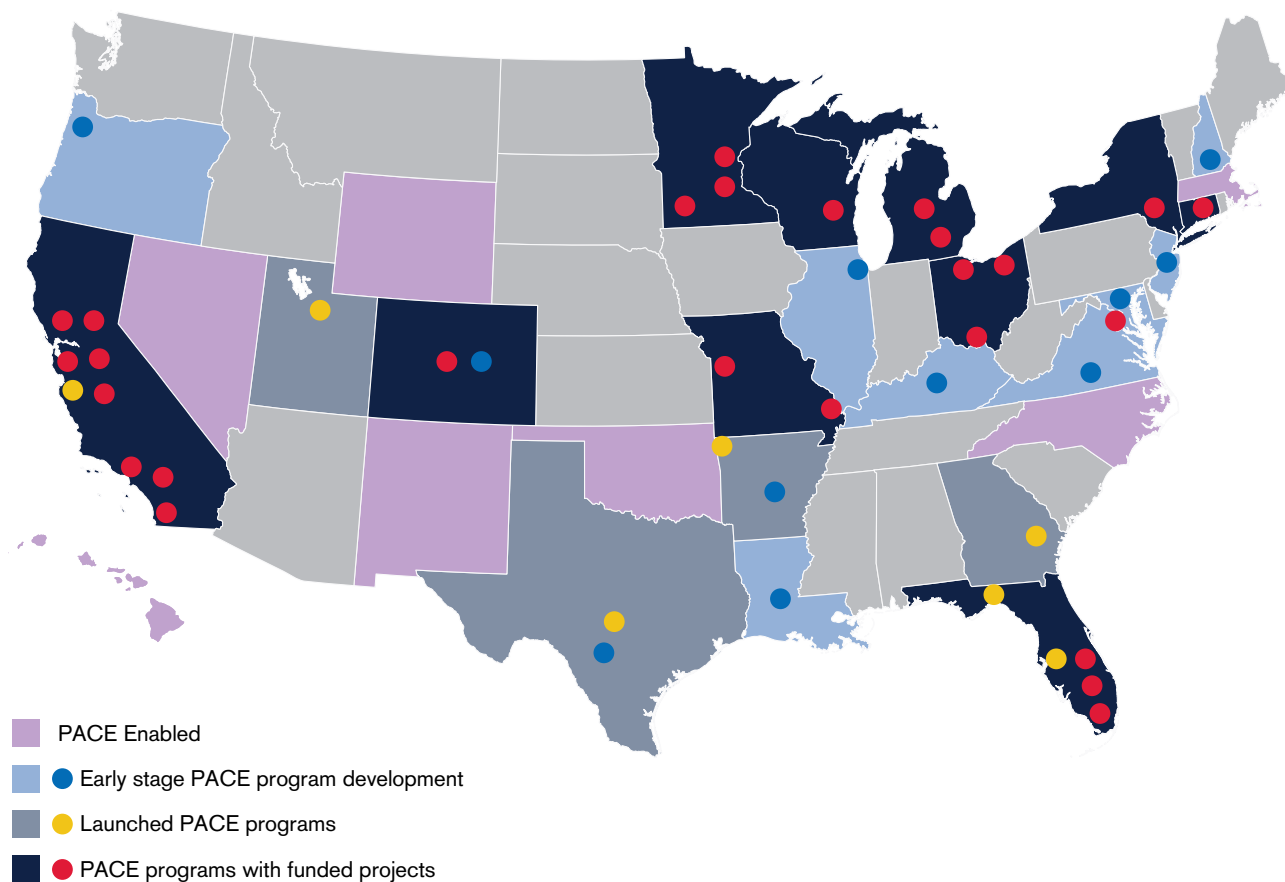
Executive Summary (CONTINUED)



PACE utilizes the widely adopted structure of a “land-secured financing district” (sometimes called “energy financing districts”), which results in property owners paying their assessment as part of their property tax bill. Payments are secured by a priority lien on the subject property. Under a PACE program, the property owners receive PACE financing through their county or municipality’s program to fund the purchase of eligible Improvements and then repay the related financing over a five- to 20-year period via a special assessment on their property. The assessment remains with the property in the event of a sale (unless prepaid to facilitate transfer or refinancing of the property), thus the property owner (obligor) may change prior to final repayment. Under most programs, the levy is senior to any other non-tax liens and has the same priority as ad valorem taxes. However, there are also programs that facilitate structural subordination of the assessments. Unlike charges levied by utilities or localities on all ratepayers, a PACE financing program is only paid by those who actually receive financing through the program for their own installations of efficiency upgrades or renewable energy equipment. Thus, there is no cost to those who do not participate in the program.

Counties and municipalities can offer a PACE program if their state has enacted PACE legislation. Thirty-one states and the District of Columbia have adopted some form of PACE legislation, and PACE financing is being offered and utilized in ten states and the District of Columbia.

Executive Summary (CONTINUED)



In analyzing PACE asset-backed security (ABS) transactions, DBRS typically evaluates the underlying assessments as well as the performance of, and reliance on, the local taxing authority (the Tax Authority), and third parties to manage the assets in accordance with the prescribed duties under the particular legislation.

DBRS performs an operational risk review and evaluation of the key parties involved in origination and servicing. The operational risk review may also include an evaluation of third parties to evaluate their capabilities to manage the assessments. The operational risk review provides insight into the process that affects collateral performance.

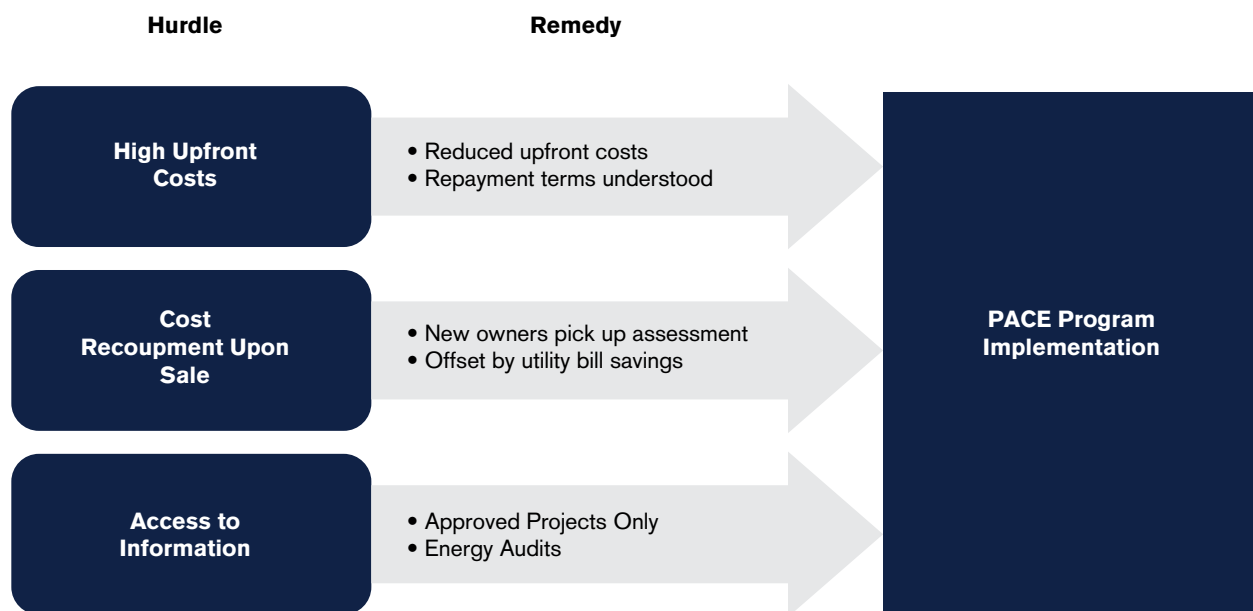
For each target rating, DBRS analyzes the proposed cash flow structure under various stress scenarios to determine the ability of the transaction to repay timely interest and ultimate principal in accordance with its terms. DBRS reviews the transaction's legal structure and opinions to assess whether all necessary steps have been taken and no subsequent actions are needed to protect the issuer's ownership interest in the assets.

The Collateral Analysis and Cash Flow Analysis discussions in this methodology were tailored for residential PACE transactions. DBRS may publish an appendix that will provide a description of the key collateral and analytical considerations in connection with rating commercial PACE transactions.

Industry Overview

PACE programs are generally intended to promote wider adoption of small (non-utility) scale energy efficiency, renewable energy and water conservation projects, resulting in increased adoption of carbon dioxide-reducing clean energy production and generally reduced use of energy and water, and address the unique challenges that arise in financing such projects. High upfront costs have been cited as a barrier to increased adoption of small scale energy efficiency and renewable energy in the United States. Another obstacle has been a lack of financing, as lenders have struggled with the uncertainty/risks associated with the property owner's capacity to repay and a prospective property buyer's valuation of the Improvements. PACE removes the upfront cost barrier and the uncertainty of financing with existing and subsequent owners being obligated to repay through periodic tax surcharges. It is worth noting that in certain cases, a prospective property buyer (or their mortgage bank) or bank refinancing the mortgage may require the PACE assessment be fully repaid and extinguished prior to closing on the transfer of a PACE assessed property.

PACE Removes Hurdles to Clean Energy



PACE programs are based on legal precedents with a 100+ year history in the United States that permit the government to facilitate a public purpose through the use of special taxing authorities. They are used to finance projects that serve a public purpose, including street paving, parks, open space, water and sewer systems, street lighting, and seismic strengthening, among others. They are based on legal and constitutional principles as laid out over the years by the courts in many states. The legal premise relies on a building block of the municipal finance system – the land-secured financing district. Over 37,000 land-secured districts already exist in the United States¹ and are a familiar tool of municipal finance.

Establishing a PACE financing mechanism requires action on the part of states and localities, but may be helped by ancillary support from the federal government through various funding grants. States must first pass legislation allowing the creation of local lending agencies. The agency then sets the terms for the financing and capitalizes the fund through municipal bonds, state and federal grants, private capital or other means. Once the program is in place, a property owner may apply for financing, make efficiency upgrades and repay the financing through a special assessment. The assessment may be sold to investors or support a bond (a PACE Bond) that can be sold to investors. In general, PACE Bonds may form the collateral supporting a PACE securitization in jurisdictions where there may be statutory restrictions against selling or transferring the underlying property assessments. Because local authorities set the specifics of each program, terms and funding sources vary across jurisdictions and the country.

1. Source: PACENow.org

Industry Overview (CONTINUED)

PACE PROGRAMS

PACE programs are local or statewide governmentally approved programs that facilitate the issuance of low interest (versus alternative financing sources) bonds by municipalities or joint powers authorities that are not general obligations of the state or local government or of the relevant Tax Authority. Interested property owners opt in to receive long-term financing (generally five to 20 years) for an Improvement, which is repaid through a special assessment levied on the improved real property and invoiced and paid alongside the real estate taxes and other assessments that are collected by the relevant Tax Authority. The basis of a typical consumer loan is the borrower's personal promise to repay the principal amount advanced by the lender. In contrast, PACE programs involve an assessment on property that is improved with funds provided by a municipality, joint powers authority or third-party capital provider. If the property is sold, the assessment obligation generally remains with the property (i.e., "runs with the land") and therefore with those receiving the benefits of the Improvement to the property. This feature encourages energy production and efficiency and water conservation improvements even if a property owner does not expect to remain in the property for the duration of repayment. Such expectations can be a disincentive to the use of traditional loan-based financing, leases or power purchase agreements.

To date, PACE programs have generally been financed with special revenue bonds (to the extent they utilize a PACE Bond), which, unlike general obligation or moral obligation bonds, are secured solely by the special assessment on participating properties. The issued bonds may or may not be tax-exempt at the state and federal level, depending upon applicable laws and regulations. Information is disclosed to bondholders stating that the bonds are not the debt of the issuing municipality, joint powers authority or Tax Authority, and that the issued debt will be serviced with payments on the PACE assessments and any reserve funds established for added bond security. PACE participants may also be required to authorize their local utilities to provide ongoing information about their energy usage to the PACE program administrator. Through this mechanism, valuable data is collected that will allow for more accurate estimates of energy savings for future programs and expansion of existing programs.

Certain concerns have been raised in connection with PACE programs. It has been thought that owners whose properties are underwater would gravitate to the program because of their limited alternative financing options or in an attempt to increase property value. Another concern is that the obligation to pay the assessments when due would create added stress to participant finances, such that there could be a rise in mortgage delinquencies for PACE properties. Typically, there are structural safeguards in PACE that attempt to mitigate these situations, including upfront valuations and loan-to-value (LTV) limitations.

Often PACE programs are designed to take into account the potential for adverse selection and moral hazard on the part of the participant. Adverse selection could occur if, out of the pool of potential participants, only the weakest and most likely to become delinquent apply and obtain financing. Moral hazard could occur if, either directly or indirectly, participation in the program would actually increase the likelihood of non-payment.

Industry Overview (CONTINUED)

PACE PROGRAM PARTICIPANTS

While PACE programs may be established differently across programs and states, the following is a general summary of the entities involved and their roles and responsibilities:

PACE District

The PACE District is generally a land-secured financing district that may sell the PACE assessments or issue PACE Bonds secured by PACE assessments. The PACE District may administer its PACE program or more typically engage a third-party Program Administrator and one or more other third-party service providers to do so. The PACE District has the right to initiate foreclosure proceedings in connection with delinquent PACE assessments, which right is assignable to holders of PACE Bonds in some states.

Tax Authority

The Tax Authority is an agency of the local county or municipality that bills and collects the PACE assessments (and property taxes) for properties located within its jurisdiction. The Tax Authority also pursues delinquent payments and has the right to initiate foreclosure proceedings in relation to taxes and assessments that it bills and collects, to the extent such authority is not assigned to others (such as the relevant PACE District).

Program Administrator

The Program Administrator may be a private sector company engaged by the PACE District. The Program Administrator generally coordinates the origination of PACE assessments by marketing the PACE program to property owners and contractors, and managing the application, documentation and funding process. The Program Administrator may also approve and monitor local contractors who install Improvements in properties located within the PACE program's geographic boundaries.

Tax Administrator

In certain jurisdictions, there may be a third-party Tax Administrator who provides the Tax Authority and/or the PACE District with assessment enrollment, billing and reporting services.

Collateral Description

ORIGINATION & UNDERWRITING

While a PACE District may be the “Master” originator and/or servicer and the issuer of PACE Bonds secured by PACE assessments, typically, most marketing, application, origination, documentation, enrollment, funding, reporting and servicing functions are undertaken by third parties contracted by the PACE District and participating Tax Authorities.

Under a PACE program, a property owner may decide to install new windows, HVAC system or some other improvement to the property. First, the property owner (usually assisted by a Program Administrator) will review which Improvements and contractors are eligible for funding under the PACE program in their jurisdiction. The Program Administrator working in conjunction with the PACE District and Tax Authority will generally create and publish guidelines that include

- qualifying equipment,
- eligible contractors who meet minimum standards,
- minimum and maximum funding limitations by project and property type, and
- qualifications for funding such as maximum LTV ratios that take into account mortgage debt secured by the property, limitations on prior bankruptcies and limitations on prior mortgage and/or property tax delinquencies.

Property owners submit applications for the desired PACE financing, generally through the relevant Program Administrator. The Program Administrator generally has the authority to approve or deny applications and to work with applicants to complete the documentation (including the relevant assessment agreement) required to enroll the relevant assessment on the property tax roll of the Tax Authority and commence and fund the Improvement. Normally, final inspections and certificates of completion must be delivered prior to funds being released to the contractor and enrollment of the assessment. To the extent PACE Bonds are being used, a PACE District will typically issue a PACE Bond secured by the relevant PACE assessment (or by multiple PACE assessments) reasonably soon thereafter.

Collateral Description (CONTINUED)

SERVICING

Tax payments are usually collected by the Tax Authority for each participating county or municipality. The Tax Authority is also the party with the legal authority to pursue delinquent payments and foreclosures, although it may engage a third party, such as the Tax Administrator, to assist in that function. The inclusion of more than one Tax Authority in the transaction is generally viewed as credit positive, as it provides diversification from a cash control perspective. Furthermore, the Tax Authority may be evaluated for its ability to bill and collect, as well as its process for tracking and managing delinquent properties. To the extent the PACE District or other parties are involved in initiating foreclosure proceedings in connection with delinquent assessments, DBRS may evaluate such parties as well.

Since the PACE assessments or PACE Bonds comprise the collateral for a PACE securitization transaction, a second level of servicing needs to be evaluated (i.e., the remittance and reporting of PACE collections). This function may be performed by the Program Administrator, a trustee or another third party. DBRS typically assesses such party's ability to remit PACE collections received from the Tax Authority to the appropriate securitization collection account and prepare servicer reports detailing such collections and any allocations paid therefrom.

PACE PROGRAM PROCESS

The following provides a brief example of how a PACE program may work:

Process Step	Description
Eligibility	<p>Potential property owners are provided with information and assistance that allows them to initially determine their own eligibility and the eligibility of their desired Improvements and contractors, and the feasibility of a PACE financing, before they complete an application. Such information may include</p> <ul style="list-style-type: none"> • The requirement that property must be within a specific jurisdiction and not within an excluded portion thereof (for example not on tribal lands where the relevant Tax Authority is not authorized to impose or collect taxes). • The list of eligible equipment and projects permitted under a program. • The requirement for an energy audit (if any). • Repayment terms. • Consequences for failure to make scheduled payments. • Other program terms and requirements.
Application	<p>Potential property owners who wish to proceed typically complete an application, which may include</p> <ul style="list-style-type: none"> • Detailed information on the property, mortgages and other assessments secured thereby and the proposed Improvements. • Recent mortgage statements to confirm outstanding balances and the non-delinquent status of the mortgage. • In some programs, and typically in the case of commercial properties, lender notifications and consents (if needed) ensuring that mortgage lenders are aware of the pending PACE assessment and (if appropriate) can escrow for it post-closing. • Contractor bids specifying the cost of the projects. Bids would come from approved contractors only. • Energy audits are required under some PACE program guidelines (generally commercial PACE) to ensure target savings will be achieved by the Improvements.
Initial Approval	<p>The PACE District or Program Administrator approves or denies the application based on the data provided relative to the program guidelines and requirements. PACE eligibility requirements typically include the following:</p> <ul style="list-style-type: none"> • Applicant must be the property owner of record and each owner must be an applicant and party to the relevant agreements. • Property owners must be current on their property taxes and must not have prior disqualifying delinquencies thereon. • Property owners must be current on their mortgage and must not have prior disqualifying delinquencies or defaults thereon. • Other tax liens or other involuntary liens on property are included in LTV calculations and may disqualify a property. • No recent bankruptcy or foreclosure. • PACE assessment does not exceed a certain LTV threshold. • Mortgage debt does not exceed a certain LTV threshold. • Combined assessment and mortgage debt do not exceed a certain LTV threshold. • Proposed Improvements must be eligible. • Proposed contractor must be eligible. • Proposed funding must be within minimum and maximum limits. <p>In order to determine the value of the property, the Program Administrator may obtain a property appraisal or estimate the value through other means such as the assessed value, an automated valuation model or desktop appraisal.</p>
Installation	<p>An approved applicant can then complete, execute and submit the relevant final documents and agreements (including the relevant assessment contract) and proceed with the installation. The interaction between the owner and the contractor(s), obtaining relevant construction permits and obtaining final inspection and completion certificates are usually the responsibility of the owner.</p>

Collateral Description (CONTINUED)

Process Step	Description
Funding	<p>After the contractor completes the installation to the satisfaction of the owner, the Program Administrator will fund the installation, typically directly to the contractor. As a protection against fraud and other risks, there are several condition precedents that are often fulfilled before any funds are released. These may include</p> <ul style="list-style-type: none"> • Signed final permit from the municipality's building inspector for the projects. • Final invoice and lien waiver from the contractor(s). • State or utility confirmation/approval letters and grid connectivity confirmation, if applicable, for projects receiving rebates, tax credits or other incentives. • Project completion certification by an approved third party (if applicable). • Executed versions of all remaining required program documentation (e.g., an acknowledgement that the owner has a duty to disclose the existence of the assessment to any subsequent purchasers). <p>Once the applicable condition precedents have been satisfied in the Program Administrator's judgment, project funds will be dispersed.</p>
Recordation & Repayment	<p>At the time of the disbursement of funds, the Tax Authority will record the PACE assessment as a lien on the property and (generally as directed by the Tax Administrator) commence to enroll assessments on the tax rolls of the Tax Authority annually. The current owner and any future owners are required to pay the periodic assessments along with their property taxes and other enrolled assessments. The amount of the assessment payments over the period specified in the assessment agreement are sufficient to fully amortize the amount disbursed, program costs and an imputed interest component disclosed in the assessment agreement and program terms.</p>

Legal Consideration For PACE Programs

ENABLING LEGISLATION

Enabling legislation will vary by state, depending on existing state constitution and law, but will normally contain a number of common components. These components may include the following:

Identify existing financing & assessment authority within state statute. Some research into the state statutory law may be necessary to determine whether local governments have existing authority to finance Improvements and to impose assessments or special taxes against property that benefits from such Improvements. If such authority exists, it is generally preferable to use such existing structures and/or amend existing statutory provisions to provide for the specific aspects of PACE financing. If no such structure exists or if amendments to existing structures are too cumbersome, a stand-alone PACE authority may need to be drafted.

Ensure that assessments are secured by liens on the benefited property. A key feature of PACE is that assessments are secured via a lien on the property that benefits. It is preferable to use existing procedure for securing, recording, collecting other local government assessments and taxes, and handling delinquencies. Generally, the assessment or special tax lien is of the same priority as other property tax and assessment liens. Evaluation of lien priority under state law may be complex (e.g., in states where several types of liens and assessments may be said to be *pari passu* but where "first in time" rules may concurrently apply). It is also typical that the full assessed amount does not accelerate in the event of foreclosure or transfer of ownership, only the due and unpaid portions (plus penalties and interest). Where acceleration of the future assessment is possible, greater scrutiny of the program is required. Transfer to the next property owner must clearly include survival of the lien in relation to future assessment payments outstanding at the time of transfer. It may be necessary to evaluate whether survival and transfer of this lien is already provided under existing state law. It is also possible that the details regarding default be specified in local ordinances, policies or the adopting resolutions of the relevant PACE District, and not in the state statute.

Establish the mechanism for creation of PACE Districts and programs. The Improvement financing and assessment authorizing statute normally specifies the procedure for establishing a district or program. In some jurisdictions the local city council or county board of supervisors can pass an ordinance creating such districts by a simple majority vote, though a public hearing is often required. However, some states require a petition or vote of a majority of property owners or registered voters. Generally, while many electorates support PACE initiatives, it is less cumbersome if the financing district or program is established by the governing body of the local government entity or the program is established by an existing municipality or financing district, rather than attempting to create a new financing district or program through a ballot initiative or popular vote.

Legal Consideration For PACE Programs (CONTINUED)

Expressly authorize the financing of energy efficiency, renewable energy and water conservation Improvements. Existing state law or local government improvement authority often specifies the types of projects that may be financed by the local government. If specific types of projects (e.g., sidewalks, parks, sewers) are enumerated, this list should be expanded to include the items to be financed (energy efficiency, renewable energy and water conservation improvements).

Legislative findings that Improvements are in the public interest. PACE-enabling legislation generally includes a legislative findings section noting that local government financing of renewable energy, energy efficiency and water conservation projects has a valid public purpose and is in the public interest. These findings may be critical to later judicial determinations as to the validity of a program or the treatment of such assessments as “special assessments” that are lawful and entitled to the desired lien priority under relevant constitutional and statutory law. The public benefits of Improvements may include energy security, distributed generation, local job creation, provision of clean air and water, and climate change mitigation.

Create opt-in assessment feature. The PACE financing authority usually includes an opt-in feature through which willing and interested property owners voluntarily elect to receive financing and have assessments levied and recorded against their properties. Relevant state law may specify that financing is not to be provided and assessments are not to be made unless property owners first consent in writing. This opt-in feature is unique in that it does not typically appear in a local government improvement financing authority. Ordinarily, such programs only authorize improvements that result in shared benefits among all property owners within that contiguous geographic area, and tax all property owners within that geographic area. Under the PACE financing models, however, only property owners who choose to participate join the district or program and then receive financing and incur assessments against their property. The enabling legislation may also set forth an obligation on the part of the property owner to notify lenders and any subsequent purchasers.

Authorize the issuance of secured bonds or grants to finance Improvements. State law will also authorize local governments to issue and sell bonds. This can be the most complicated component of enabling legislation, as policy makers need to decide whether additional statutory provisions relating to debt are required. Generally, state statutes will not include specifics regarding interest rates, administrative fees and other details, but instead allow local governments to provide guidance on details in ordinances or policies implementing PACE programs. The enabling legislation may also provide that municipal and county authorities can accept federal, state and local government grants and loans to provide upfront financing for creating and/or administering a PACE program.

Enabling statewide or multi-jurisdictional PACE programs. PACE legal authority may also authorize groups of cities and counties and joint powers authorities to coordinate under a single program or financing district to allow for greater economies of scale in the financing and administration of PACE programs.

Bonds not backed by full faith and credit of local/state government. The state statute may also clarify that PACE Bonds issued to finance PACE Improvements are not a general obligation, nor backed by the full faith and credit, of the local or state government, but instead are considered a “special revenue” obligation secured by the assessment or tax lien on the benefitted property.

Assignability of PACE-related interests. Ideally, the enabling legislation should allow for negotiated sales and assignability of PACE assessments and related remedial rights and would not be dependent on assessments being delinquent prior to assignments. In such cases, the legislation may also allow for full enforceability by the holder of the assigned PACE lien without any further rights being retained by the relevant municipalities. However, some jurisdictions where this is not permitted may allow the bonds to be hypothecated, so a PACE Bond can be issued on a per property basis or on a pooled basis with multiple assessments securing individual PACE Bonds. The perfection of interests in the assessments sold or pledged to secure PACE Bonds should be expressly governed by the Uniform Commercial Code.

COUNTY/MUNICIPAL RESOLUTIONS & PACE IMPLEMENTATION

Energy financing districts are one way for a city or county to provide access to capital for their residents’ and businesses’ clean energy projects, including energy efficiency retrofits and installation of renewables such as solar thermal or solar electric systems. Energy financing districts tap into existing mechanisms that local governments are already familiar with, such as special tax districts or assessment districts, and allow these mechanisms to support clean energy projects. Energy financing districts enable local governments to raise money through the issuance of bonds to fund these clean energy projects (though bonds are not the only possible source of funds).

Legal Consideration For PACE Programs (CONTINUED)

The process of formally creating an energy financing district as a special tax district or tax assessment district is likely to require several actions by the city council or county board of supervisors to obtain the various approvals necessary. For example, there are two ways to achieve this in California: through assessments (contractual assessments under amendments to the *Improvement Act of 1911* made by Assembly Bill 811) and through special taxes.

To extrapolate further on the California example to set up an AB 811 financing program, the legislative body of the city or county adopts a resolution of intention, directs a city official to prepare a report, holds a public hearing on the matters covered by the report, and then approves the report and a contractual assessment financing program. The report must include a map of the territory within which contractual assessments are proposed, a draft contract between a property owner and the city, city policies concerning contractual assessments, a plan for raising capital to finance the Improvements, and the amount of fees that will be charged to the city or county for incorporating the assessments into the general tax assessments for the city or county. Municipalities in California (for example) will need to consider how California Constitution Article XIII D, which was enacted by Proposition 218, affects the contractual assessment process. Processes for the creation of the financing district will vary from state to state, and county to county.

CONSTITUTIONAL MATTERS

Some opponents of PACE programs have questioned the federal and state constitutionality of the programs. Specifically, the statutory superiority over private liens that is provided to PACE liens has raised concerns that such liens could impair mortgage lenders' contractual rights to repayment in violation of the Contracts Clause of the U.S. Constitution as well as raised concerns that PACE assessments could violate state constitutional provisions (e.g., Article XIII D of the California Constitution).

Legal review has indicated that, based on the three-part test applied by the U.S. Supreme Court to determine whether state and local government actions affecting private contracts violate the Contracts Clause of the U.S. Constitution, PACE programs do not violate the Contracts Clause because (i) they do not substantially impair pre-existing liens, (ii) they serve a legitimate public purpose and (iii) they are a reasonable and appropriate means for achieving a public purpose.

Several judicial validation actions in California courts have validated specific PACE programs throughout the state in relation to state constitutional law. Lingering issues remain in terms of limitations on foreclosure actions that purport to eliminate liens or other interests of federal agencies (including the Federal Housing Finance Agency (FHFA) as receiver of Fannie Mae and Freddie Mac), and the FHFA continues to direct correspondent banks not to sell mortgages relating to properties subject to PACE assessments to such agencies.

TAX AUTHORITY COMMINGLING AND INSOLVENCY RISK

Commingling risk relates to the collections that could be lost or diverted in the event of the bankruptcy of any county or municipality in which the relevant Tax Authority collects and deposits taxes, assessments and other funds into a general account (which is a common practice). County tax collectors and the PACE District programs may not provide for segregation of cash receipts for PACE assessments from basic property tax collections or other collections of funds (e.g., for parking tickets, permits or licenses). This commingling of receipts with general funds could expose a PACE securitization transaction to temporary stay risk related to payments on PACE assessments collected following a bankruptcy filing of the relevant county or municipality. As described further below, an automatic stay does not generally apply to special revenues. Furthermore, DBRS would expect a bankruptcy court to order a constructive trust be established whereby post-petition PACE assessment collections would be segregated for the benefit of the PACE assessment or PACE Bond holders (and ultimately ABS noteholders) and not be commingled with the Tax Authority's general funds.

Ordinarily, Section 552(a) of the U.S. Bankruptcy Code (the Code) would disallow a security interest in post-petition proceeds of collateral, and so without Chapter 9 of the Code, there would be no difference between special revenue bonds and general obligation bonds in bankruptcy. However, Chapter 9 of the Code protects secured bondholders from 552(a) if they are secured by "special revenues" as defined in 11 USC Section 928(a). Section 928 states that creditors secured by a lien on special revenues retain their lien on special revenues post-petition, but this is subject to operating expenses of the project involved. The secured creditors should be able to apply special revenues to amounts due or to become due on sold PACE assessments or under PACE Bonds secured by PACE assessments regardless of the county or municipal bankruptcy. Furthermore, an automatic stay does not generally apply to the application of special revenues to amounts due. In short, creditors can apply special revenues to amounts due under their bonds post-petition. In one recent case, *In re CITY OF VALLEJO*, the City of Vallejo filed for bankruptcy protection and was receiving special assessment revenues. In that case, the Court held that such revenues were excluded from the City's general funds.

Legal Consideration For PACE Programs (CONTINUED)

FHFA Challenges to Residential PACE

Residential PACE programs have been scrutinized and questioned by the FHFA. The FHFA has voiced concern that residential PACE assessments have a lien status superior to that of existing mortgages underwritten by Fannie Mae and Freddie Mac. This means that, in the event of a default, any then due and payable PACE assessments would be repaid before other liens such as a mortgage.

On July 6, 2010, the FHFA issued a “Statement on Certain Energy Retrofit Loan Programs” stating that PACE programs presented significant safety and soundness concerns, urging state and local governments to reconsider these programs and ultimately directing Fannie Mae, Freddie Mac and the Federal Home Loan Banks to take “prudential actions to assure no adverse impact by PACE programs.” Citing the Directive, Fannie Mae and Freddie Mac announced to lenders on August 31, 2010, that they would not purchase mortgage loans originated on or after July 6, 2010, which were secured by properties encumbered by PACE obligations. This decision was affirmed by the FHFA in a February 28, 2011, letter to Fannie Mae and Freddie Mac. On December 22, 2014, the FHFA issued a “Statement of the Federal Housing Finance Agency on Certain Super Priority Liens” to make clear to homeowners, lenders, other financial institutions and state officials that its policies prohibit the purchase by Fannie Mae and Freddie Mac of mortgage loan secured by properties encumbered by PACE obligations. FHFA Director Mel Watt testified before the House Financial Services Committee on January 27, 2015, that Fannie Mae and Freddie Mac policies continue to prohibit the purchase of mortgage loans secured by properties subject to priority-lien PACE assessments. Nothing in these statements challenged the validity of the PACE assessment as a valid special assessment under California law. Nonetheless, the FHFA’s position may make sales of properties that are subject to PACE assessments, or the refinancing of mortgages on such properties, more difficult. As a result, owners of such properties may be forced to prepay their PACE assessments in order to complete a sale or a refinancing of their properties. Certain programs have been amended to facilitate cooperation with homeowners to facilitate prepayment and refinancing when these issues are presented.

PACE programs continue to develop, encouraged by perceived demand for alternative financing. Developments include the passage of more clearly defined legislation in some states, the implementation of legal instruments to respond to FHFA concerns and disclose the consequence a PACE lien can have on an existing mortgage, and the establishment of a PACE loss reserve in the state of California, which would cover potential losses realized by mortgage lenders caused by the existence of a senior PACE lien on a property.

A PACE program, when properly designed, can maximize benefits afforded to property owners while minimizing risks to mortgage lenders with existing liens on the property. Program design and execution can help mitigate related risks. Mortgage lenders and other investors (i.e., Fannie Mae and Freddie Mac) may be protected against increased loss severity in the event of a default/foreclosure for the following reasons:

- PACE senior status immaterial - Mortgage lenders are well protected against increased loss severity in the event of default/foreclosure because of the immateriality of senior lien status, which is often less than \$2,000 per period per home on a portfolio of residential PACE-financed homes and the total amount is less than 10% of home value.
- Non-acceleration feature - In most PACE programs, the full assessment amount does not accelerate at default or foreclosure; only delinquent assessment payments are then due. This reduces the exposure to lenders.
- Increase in property value - Risks to lenders may be further reduced by the increase in property value derived from the energy efficiency improvement.
- No moral hazard or adverse selection relating to program participants - Adverse selection would occur if, out of the pool of potential participants, only the weakest and most likely to go delinquent apply. The credit underwriting and program guidelines described above reduce this risk by limiting participation to qualified borrowers, properties, contractors and improvements. Moral hazard also would occur if, either directly or indirectly, participation in the program would actually increase the likelihood of non-payment. Program guidelines reduce this risk by limiting participation to qualifying properties, improvements, and by setting limits on LTV ratios and requiring energy audits (generally for commercial properties) and completion certificates.
- Upfront property valuation and LTV screening - The application approval process involves a review of the property value relative to the cost of the improvements.
- Energy cost savings improves the owner cash position, which may lower the likelihood of default; this cash flow advantage improves over time as utility rates rise.
- No cash out features - Programs are often designed to prevent fraud and windfall benefits.

Legal Consideration For PACE Programs (CONTINUED)

CONSUMER LENDING PROTECTIONS

Many residential PACE programs include provision of disclosures to participants and other consumer protection measures required by credit laws (i.e., truth-in-lending, good faith estimates) even where it is clear the funding extended is not in fact a credit transaction. Consumer credit laws apply where a consumer obtains a loan for personal, family or household purposes; the hallmark of a loan is the borrower's personal promise to repay the principal amount advanced by the lender. In contrast, PACE programs involve a voluntary special assessment on property that is improved with funds provided via a governmental body. The owner of the property is not personally obligated to repay the tax assessment, and the lien on the property to secure repayment of the assessment generally remains with the property after it is sold to a new owner.

The Board of Governors of the Federal Reserve System has expressly commented that ordinary tax liens and tax assessments are not "credit" transactions covered by the *Truth in Lending Act* (15 U.S.C. § 1601 et seq.) and Regulation Z (12 C.F.R. pt. 1026). See 12 C.F.R. pt. 226 Supp. I, cmt. 2(a)(14)-I. Similarly, the Third Circuit Court of Appeals has held that such tax assessments are not credit transactions subject to the *Truth in Lending Act*. See *Pollice v. National Tax Funding, L.P.*, 225 F.3d 379 (3d Cir. 2000). These examples provide some support that these authorities may recognize the fundamental distinction between a special assessment against property and the debtor-creditor relationship between a consumer and lender arising from a consumer loan.

Operational Risk Review

DBRS typically conducts an operational review of the sponsor of the financing (usually the Program Administrator). DBRS may also conduct an operational review of other parties involved depending on their role (as described in PACE PROGRAM PARTICIPANTS above) in a transaction rated by DBRS. While DBRS does not assign formal ratings to the origination and servicing processes, it typically conducts operational risk reviews to assess if an entity is acceptable and incorporates the results of the review into the rating process.

DBRS generally begins the initial review process by sending a questionnaire to the company that outlines the topics to be covered during the discussions with management and includes a list of documents to be provided, such as organizational charts and financial statements. In instances where DBRS determines that the company is below average, the company may incorporate certain structural enhancements into a proposed transaction, such as additional credit support or performance triggers in order for DBRS to be able to rate the transaction.

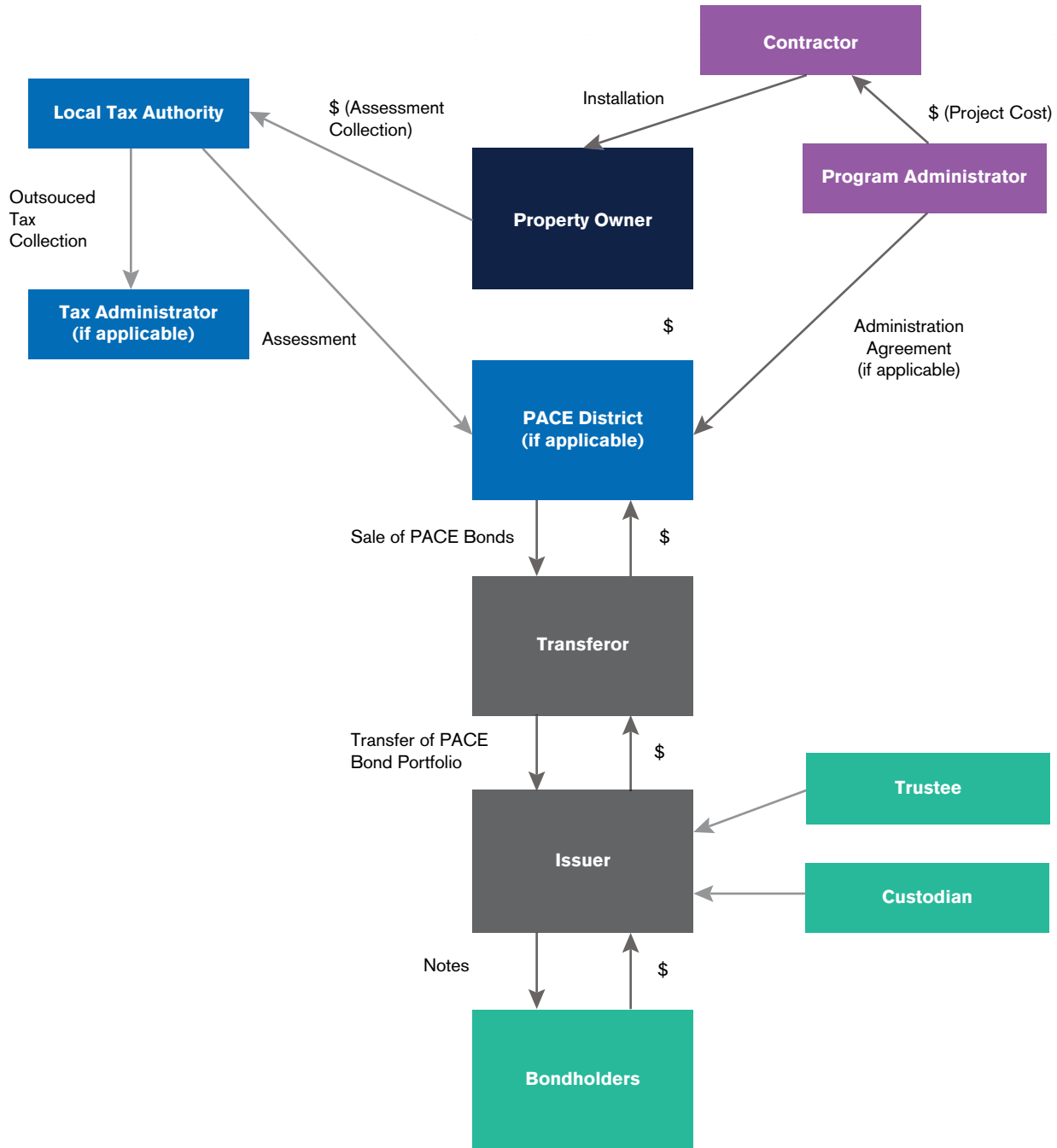
The operational review process typically involves a review and analysis of the following topics, which may be performed by more than one entity:

- Company and management
- Control and compliance
- Origination and sourcing
- Underwriting guidelines
- Valuation practices
- Program administration
- Customer service
- Billing & collections
- Delinquency management
- Foreclosure process
- Bankruptcy procedures
- Investor reporting
- Litigation
- Technology

For details on the operational review process, please refer to the following DBRS methodologies: *Operational Risk Assessment for U.S. ABS Originators* and *Operational Risk Assessment for U.S. ABS Servicers*.

Transaction Structure

The following diagram illustrates a possible PACE transaction structure:



DBRS reviews the transaction structure, true sale and bankruptcy-remoteness provisions, representation and warranties, and opinions provided in connection with the transaction for consistency with the DBRS Legal Criteria for U.S. Structured Finance Transactions. In addition to the typical opinions provided in connection with an ABS transaction, DBRS expects to see a due authorization and enforceability opinion related to the PACE District.

For a description of the legal considerations for structured finance transactions, please refer to the DBRS publication *Legal Criteria for U.S. Structured Finance Transactions*.

Collateral Analysis

DBRS typically analyzes the characteristics of the PACE assessments to estimate the probability of default and loss severity. In addition, DBRS may also assess the pool characteristics relative to the eligibility criteria set forth in the transaction documents, if applicable.

DBRS may review historical tax payment behavior to better understand cash flow timing and default risk that may exist for a PACE transaction. Ideally, the PACE District or Tax Authority will provide at least ten years of tax payment data. This data may include delinquencies by the respective payment due dates as well as the date of subsequent collections (i.e., a true receivables aging report). Such data aids DBRS in calibrating base case delinquency expectations and default assumptions for the proposed pool. Historical tax payment data may understate the degree of delinquencies to the extent that first lien mortgage servicers are advancing for past due property taxes. DBRS will take this into consideration as well.

In some cases municipal governments have not historically tracked property tax payments in a granular fashion. For this reason, DBRS may utilize or supplement its analysis with an alternative method to estimate defaults and loss severities based on historical mortgage performance data.

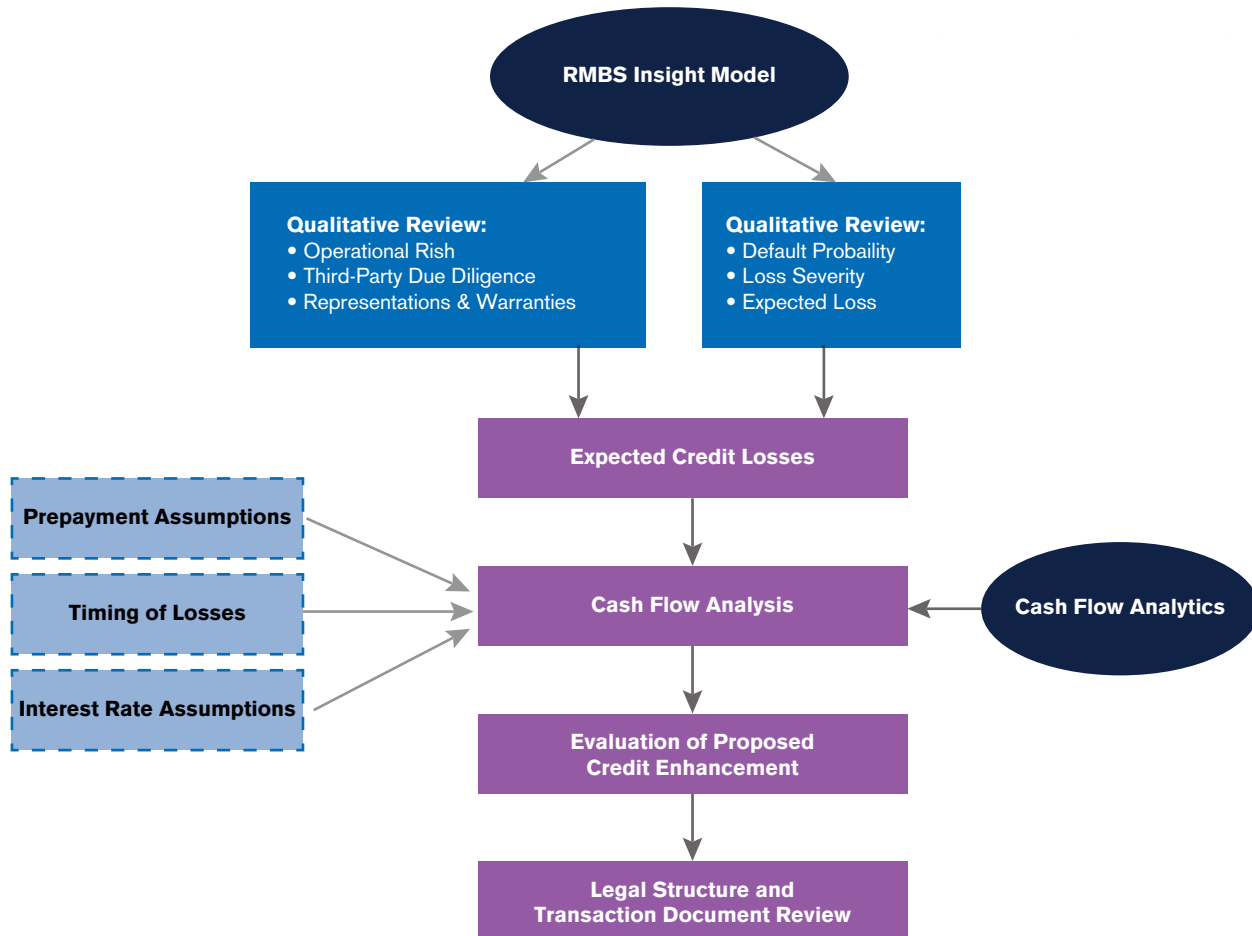
This alternative methodology is based on the *U.S. RMBS Insight 1.2: U.S. Residential Mortgage-Backed Securities Model and Rating Methodology* issued in December 2014.² The DBRS RMBS model analyzes the probability of delinquency, default and loss severity by examining property characteristics (e.g., LTV) and homeowner credit profile as well as regional economic characteristics such as house prices and unemployment rates.³

2. The RMBS Insight Model is a substantial component of the DBRS rating process. A material deviation from the rating implied by the model would be a three-notch or greater rating difference.

3. For a more detailed description of the U.S. RMBS Insight Model please see U.S. RMBS Insight 1.2: U.S. Residential Mortgage-Backed Securities Model and Rating Methodology.

Cash Flow Analysis

The probability of default derived from historical tax payment data and/or the DBRS RMBS model, as described above, is an important input into the cash flow model. This default probability determines how many assessments become delinquent and ultimately are foreclosed upon. Once an assessment becomes delinquent and is foreclosed upon, DBRS typically assumes no collections are realized during the delinquency and foreclosure period. At the conclusion of the foreclosure process, only the missed payments may be recovered out of foreclosure proceeds, and a loss severity is applied to such amounts. The loss severity is normally a function of the ranking of the assessment lien (i.e., senior or subordinated to a first lien mortgage). In the case of a senior assessment product, there may be a minimal loss severity, which may reflect abandonment or natural disaster risk in concentrated pools. The following diagram describes the process for analyzing a PACE transaction when utilizing the RMBS Insight model.



As part of the U.S. residential mortgage analysis efforts, DBRS reviewed mortgage data and has derived the following table on which it may base the tenor of the foreclosure period. DBRS may vary these base timelines by rating category. Six months is added to the foreclosure period to account for the 180-day delinquency period that precedes the foreclosure process.

Cash Flow Analysis (CONTINUED)

State-by-State Timeline from 180 Days Delinquent to REO⁴

State	Months	State	Months	State	Months	State	Months
AL	13	ID	14	MS	16	PA	24
AR	18	IL	22	MT	16	RI	19
AZ	11	IN	18	NC	19	SC	20
CA	13	KS	15	NE	13	TN	14
CO	12	KY	17	NH	14	TX	16
CT	32	LA	20	NJ	39	UT	14
DC	28	MA	22	NM	24	VA	15
DE	26	MD	26	NV	15	VT	15
FL	28	ME	26	NY	42	WA	20
GA	13	MI	12	OH	16	WI	16
HI	32	MN	14	OK	18		
IA	17	MO	13	OR	21	US*	20

* Insufficient data in the states that are missing from this table. The U.S. average assumed for these states.

In addition, DBRS will consider any limitations on the foreclosure timeline as defined in the PACE program documentation in determining the period during which no collections are realized.

For assessments that go through the foreclosure process, once the process has concluded and the property is sold, the assessment is typically considered performing and collections resume according to its original amortization schedule. Furthermore, the new property buyer is subject to potential subsequent default as well.

The same process is then applied to the second and subsequent round of defaulted assessments until the assessments eligible for default are paid in full.

Default Timing

Default timing is an important component of the cash flow analysis, as it affects the availability of excess spread to cover losses and liquidity stresses. DBRS generally analyzes an issuer's historical performance data or utilizes the RMBS model to develop a default timing curve that reflects when defaults are expected to be experienced during the life of the transaction.

After the shape of the curve is determined, DBRS develops and applies front-ended and back-ended loss timing curves. The curves are developed to evaluate scenarios whereby losses materialize sooner or later than expected, as might be the case if the economy entered a recession shortly after a transaction closed or toward the tail end of the transaction's life.

Basis Risk

DBRS may stress transaction cash flow to compensate for the unhedged basis risk to which the transaction may be exposed during the life of the assets.

Basis risk arises when the basis for calculating interest charged on the securitized assets or swap contract is different from the basis for calculating interest charged on the notes issued (e.g., Fixed versus floating, Prime Rate versus London Interbank Offered Rate (LIBOR)). Basis risk may also arise where the index is the same but tenors are different (e.g., assets paying one-month LIBOR and liabilities paying three-month LIBOR). If the transaction does not include a derivative agreement to hedge interest rate risk, DBRS may apply additional stresses to the transaction cash flows to simulate a stressed interest rate environment. To quantify the effect of interest rate risk on a transaction, DBRS runs a series of interest rate curves to test the sensitivity of any unhedged portion of the structure to interest rate volatility usually utilizing its Unified Interest Rate Model (UIRM) methodology. An interest rate stress curve is typically applied to the cash flow scenario analysis for each requested rating category. Basis risk can also occur where the date for setting the interest rate on the assets differs from the date on which the rate is set for the interest rate on the liabilities. This risk can be increasingly acute as leverage for a transaction increases. DBRS typically analyzes historical movements on related indices and may apply additional stress to assess the impact on the transaction of a sharp, untimely inverse rate movement.

4. Source: U.S. RMBS Insight 1.2: U.S. Residential Mortgage-Backed Securities Model and Rating Methodology.

Cash Flow Analysis (CONTINUED)

Abandonment

The main risk to PACE securitizations is liquidity ultimately related to the length of the foreclosure process and the recoupment at the time of sale of unpaid PACE installments plus fees and penalties. However, there is a risk that the property may be unsalable and converted to a public use land that may permanently cease to be tax generating and may jeopardize future PACE installments. For this reason, DBRS may look at the Tax Authority's history of collections and amounts left unrecovered as a proxy for assessing the likelihood of abandonment.

Subordinated PACE

To the extent a proposed structure includes PACE assessments that are structurally subordinated to a first lien mortgage, DBRS may adjust its default, loss severity and/or timing assumptions to reflect the recovery of due and unpaid PACE installments in second priority behind a first lien mortgage.

The above assumptions will be incorporated into the cash flow analysis to determine the sufficiency of credit enhancement to absorb the liquidity stresses and potential losses caused by delinquencies and the foreclosure process.

Surveillance

DBRS describes its approach to surveillance of PACE ABS transactions in the *Master U.S. ABS Surveillance Methodology*.



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Exhibit 25

Assembly Committees on Local Government and Banking and Finance

Keeping Up with PACE: A Joint Oversight Hearing on Residential Property Assessed Clean Energy Programs

The Assembly Committees on Local Government and Banking and Finance requested that PACE administrators participating in the hearing complete the chart attached and answer the questions below during testimony.

- 1) What is the structure of your residential PACE program? Please provide specifics regarding your contractual relationships with local governments, any private capital partners, solar or energy efficiency companies, and contractors and the flow of money within that structure including the cost of third-party administration.
- 2) When did your program begin? How has your PACE program changed since inception?
- 3) What is your application process?
- 4) After you contract with a city or county (either directly or via a JPA) how do you work with the local governments on issues raised by homeowners? Do you provide homeowners with information on where they can go to lodge complaints or ask questions?
- 5) Do you require homeowners to use specific contractors? Do you provide any training to contractors regarding their interaction with customers?
- 6) How do you market your program to local governments and homeowners. Do you allow contractors to produce their own marketing?
- 7) How do you address the issues raised by FHFA and challenges homeowners face in selling or refinancing their home? Do you offer contractual lien subordination agreements to homeowners? How do you notify a homeowner that this option exists? How many have been requested and how many entered into, to date?

	mPOWER Placer Placer County Public Financing Authority and City of Folsom	Sonoma County Sonoma County Financing Authority	HERO Renovate America	California First Renew Financial	Ygrene Works Ygrene Energy Fund
Financing Organization					
Government Entity	Yes	JPA	Western Riverside Council of Governments (WRCOG) San Bernardino Associated Governments (SANBAG) Los Angeles County	California Statewide Communities Development Authority (CSCDA) - CSCDA was created by and for local governments in California, and is sponsored by the California State Association of Counties (CSAC) and the League of California Cities ("the League"). Currently, more than 500 cities, counties and special districts have become Program Participants to CSCDA. CSCDA is governed by a seven-member commission that are appointed by CSAC and the League. Renew Financial also works under contract with Los Angeles County. LA County selected Renew Financial as a PACE administrator as part of an RFP process in 2014. We work in the unincorporated County and its 88 incorporated cities.	Golden State Financing Authority (GSFA); Coachella Valley Association of Governments (CVAG)
Statutory Authority	AB811 & SB555	AB811	AB 811	AB 811 (2008)	SB 555 (Ch. 2011)

Participating Jurisdictions	Cities of Auburn, Colfax, Folsom, Lincoln, Loomis, Rocklin, Roseville, and the unincorporated areas of	all 9 cities and the unincorporated area	415 communities across California	363	https://ygreneworks.com/serviceareas-california/
Current Projects and Costs	Applications Approved: 1,717 Amount Approved: \$65,716,610		Over \$1.5B in financing extended to fund 72,871 projects since program inception.	\$204,050,857.13	Projects Completed & Under Contract = 17,910 worth \$395.3M
Outstanding Debt Issued	\$52,958,697 as of May 31, 2016 including City of Folsom	\$49,033,780	Securitized \$1.3 billion through seven securitizations	CSCDA: \$50B+ since 1988.	Ygrene currently has \$400M in warehouse debt facilities, and has completed \$150M in PACE ABS securitizations.

<p>Process for Debt Issuance</p>	<p>Draw on Line of Credit Bond issued by finance authority, aggregated assessments bundled and sold to third-party investors</p>	<p>yes</p>	<p>Debt issuance is governed by an executed Master Bond Purchase Agreement and Master Trust Indenture, which is each executed by the issuer. Renovate America advances funds for each project, and then requests/purchases Bonds from issuer that have repayment streams secured by the executed assessment contracts.</p>	<p>CSCDA and Los Angeles County issue PACE bonds on a weekly basis. The bonds issued by CSCDA are limited obligations of the borrower, not CSCDA or the Program Participant. The CSCDA JPA expressly provides that CSCDA is a public entity separate and apart from the Program Participants, and "its debts, liabilities and obligations do not constitute debts, liabilities or obligations of any party to the JPA." Program Participants are not responsible for any repayment of debt by borrowers, nor are they named in any of the bond documents.</p>	<p>PACE instruments are issued by Governmental Authorities in concert with bond trustee Zions Bank. These PACE assets are financed by and held in a warehouse debt facility until a sufficiently-sized pool of assets has accumulated. The pool of PACE assets is then transferred to a long-term debt facility through an asset-backed securities (ABS) transaction which is rated by national rating agencies and financed by the capital markets.</p>
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Interest Rate	6%	7% simple	5 year = 6.75%; 10 year = 7.69%; 15 year = 8.15%; 20 year = 8.35%	Residential: 5-year: 6.75%; 10-year: 7.59%; 15-year: 7.99%; 20-year: 8.29%; 25-year: 8.39% Commercial: depends on capital source, 6.0% or less fixed for 20 years is prevailing	6.50% - 8.49% (based on term)
Terms	5,10,15 and 20 years	10 and 20 year	Interest rates are fixed and fully amortizing; interest-only or negative amortization structures are prohibited. The terms are between 5-20 years and are limited to the useful life of the improvements being installed.	5-, 10-, 15-, 20-, 25-year	5-30 years (based on useful life of improvement)

Improvement Types	renewable generation, energy efficiency and water conservation	energy, water, solar	Eligible improvements are limited to those which either generate renewable energy or are certified to be energy or water efficient by the U.S. Department of Energy, the U.S. Environmental Protection Agency, the California Energy Commission, the California Department of Water Resources, or by a regional body.	Water-, energy-efficiency, and renewable energy generation (some seismic on commercial properties).	Energy efficiency, Renewable generation, Water conservation, EV charging infrastructure, seismic retrofits, and others as permitted by PACE statutes.
Number of Each Type of Improvement	Solar 1266, HVAC 299, cool roof 94, windows/doors 102, water heater 49, insulation 89, pool equipment 88, water conservation 58, stove	2,184 - energy, 74 water, 1,494 solar	\$930 million in energy efficiency; \$520 million in renewable energy; \$67 million in water conservation	Energy-Efficiency: 50%, Renewable: 48%, Water-Efficiency: 2%	Solar 37% (6,626), EE 55% (9,850), Water 7% (1,253), Other 1% (179) - figures are approximate/as of 6-1-16.
Minimum Financing Amount	\$ 2,500.00	\$2,500	\$5,000	\$5,000	\$5,000.00

Maximum Financing Amount	No maximum, staff approval up to \$59,000, Committee approval \$60,000 to \$500,000, over \$500,000 requires Board of Supervisors Approval	up to 10% of the market value of property	The amount to be financed under the Program must be less than 15% of the value of the Property on the first \$700,000 of value, and less than 10% of any remaining value of the property thereafter; the combined amount to be financed under the Program plus the mortgage related debt must not exceed 100% of the value of the Property	15% of estimated home value or \$200K, whichever is smaller.	15% of FMV up to \$700,000; 10% thereafter
Energy Audit Requirement	Required for Non-Residential Projects	no - residential, yes - commercial	None	Encouraged.	Required for projects <\$250,000; recommended for all projects

Lender Notification and/or Consent	Required for Non-Residential Projects	only for commercial	None	Recommend that homeowners notify their first mortgage lender of the PACE lien once the project has funded, so that homeowners with an impound account can start putting funds toward the annual PACE payment as soon as possible, rather than face a large bill come time to make the property tax payments.	Lender notification required; acknowledgment/ consent where applicable
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Disclosure to Homeowner	Seminar attendance required includes FHFA Disclosures and likelihood that new financing will require lien payoff, TRID Compliant: Good Faith Estimate & Closing Statement	yes	The program documentation and processes include numerous disclosures that heighten homeowner awareness and understanding of the key financing terms and risks associated with PACE financing, including, but not limited to, (i) the amount financed, repayment process, payment amounts, term of the financing, rate of interest charged, right to prepay financing and other relevant terms regarding the financing (ii) the nature of the lien or obligation created upon recordation, (iii) the specific improvements to be installed, (iv) the right to withhold approval of payment until the project is complete and (v) FHFA risks. See also Attachment 1.	Full disclosure throughout project application, approval, install, completion/funding processes. Disclosure forms modeled after The federal Consumer Finance Protection Bureau's Know Before You Owe form, and contains stand alone homeowner acknowledgement sections to ensure awareness of FHFA-related issues.	All required disclosures under PACE statutes, state and local regulations; specific FHFA-related disclosures; financing terms and conditions disclosure.
Pre-Lien Loan to Value	90%	90%	Mortgage-related debt on the property must not exceed 90% of the value of the Property	No greater than 90% LTV.	90% or less (except where specified by local policy)

Post-Lien Loan to Value	100%	100%	The combined amount to be financed under the Program plus the mortgage related debt must not exceed 100% of the value of the Property	No greater than 100% LTV.	100% or less (except where specified by local policy)
Total Amount of Property Taxes/Assessments	up to 5%	\$74,012,855	The total amount of any annual property taxes and assessments (including but not limited to all PACE, Mello Roos or other local assessments/special taxes) may not exceed five percent (5%) of the Property's fair market value (determined at the time Program financing is approved)	No greater than 5.0%.	Current total of annual assessments in place equals 14,239 for an annual amount of \$41.8M
Capitalized Interest	Can be paid upfront or included in financing, cannot to exceed amount necessary for tax bill cycle	yes	See underwriting criteria above	Yes (varies).	Varies - calculated on the total amount financed for the period between the dates when the PACE project is funded and the due date of the first tax payment.

Prepayment Penalty	None	no	HERO currently does not levy prepayment penalties against homeowners. The amount being pre-paid must be at least \$2,500.	None for full prepayment payoff. No fees for partial prepayment option (minimum of \$2,500 per prepayment), which lowers principal, providing a re-amortized, lower annual payment amount.	0-5%
Homeowner Fees and Costs (Application Fee, Admin fee, closing fee, etc.)	\$500 Residential and \$1,300 Non-Residential Processing Fee, \$140 Title Fee, \$66 Recording Fee, \$25 Annual Admin Fee	\$203 plus an annual admin. fee of \$45	As of 7/1, \$25 per year (County assessment fees); \$55 one-time fee (County recording fees)	Application fee: None Admin/closing fee: Not to exceed 6.4%.	Application (\$50; typically waived), Processing & Underwriting (\$250 max.), Documentation (\$200 max.), District cost recovery (Up to 1%, min. \$100), Origination (Up to 4%).

Underwriting	County staff with building trades experience (former building inspectors)	yes	<p>Property tax payments for the assessed Property are current. Additionally, the homeowner must certify that there has been no more than one late payment for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property. The applicant has not had any active bankruptcies within the last 7 years; provided, however, that this criterion can be met if a homeowner's bankruptcy was discharged between two and seven years before the application date, and the homeowner has had no past due payments (mortgage and non-mortgage) for more than 60 days in the most recent 12 months. The homeowner has no involuntary lien(s) recorded against the Property in excess of \$1,000</p>	<p>PROPERTY: Property must be in a Participating Community. Property must be Residential. Improvements must be made to existing properties or new residential properties where the initial construction is undertaken by the intended owner or occupant. Manufactured homes approved if permanently attached to Property. At least 10% equity in the Property (mortgage related debt no greater than 90% LTV). No current involuntary liens and/or judgments totaling more than \$1,000 for all Property Owners. Applicant(s) must be the owner(s) of record of the Property. PROPERTY OWNERS: All Property Owners must sign all required documentation. Property Owner(s) must be current on their property taxes for the prior 12 months. Property Owner(s) must certify that property taxes have not been paid late more than once during the prior 3 years (or since the purchase if owned by them for less than 3 years). Property Owners must be current on all subject Property-secured debt at the time of application and cannot have had more than one 30-day mortgage-related late payment over the previous 12 months. There must be no notices of default or foreclosure filed against the Property within the last 2 years. No bankruptcies (business or personal) in the last 2 years. The Property must not be an asset in any bankruptcy proceeding. Property title cannot be subject to power of attorney, easements or subordination agreements restricting authority of the Property Owner(s) to a PACE lien. PRODUCTS: Energy efficiency, renewable energy, and water efficiency products; new products; products must be permanently fixed to the property; products must stay with the property upon sale or transfer of ownership; must meet minimum efficiency and/or other requirements for Eligible Products.</p>	<p>Conforms with all applicable PACE statutes, state and local policies, and financial partner criteria.</p>
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Credit History Requirements	No Property Tax Default in last three years.	no	See underwriting criteria above	Not based on credit score.	<p>While a consumer credit report is pulled, approval is not based on credit score. Mortgage pay, NOD, property tax pay, bankruptcy (see below), and involuntary liens are the primary 'credit' criteria.</p>
Bankruptcy History Requirements	Property owner not in bankruptcy and, if the property owner was subject to bankruptcy it has been at least five years since discharge and the property cannot be an asset in a bankruptcy proceeding	yes	See underwriting criteria above	No bankruptcies (business or personal) in the last 2 years. The Property must not be an asset in any bankruptcy proceeding.	<p>Conforms with all applicable PACE statutes, state and local policies. Various standards exist ranging from 'not currently in bankruptcy' to 'no bankruptcy in last 7 years'.</p>

<p>Other Consumer Protection</p> <p>Property owner must attend seminar about: PACE financing, alternative financing, contractor selection, FHFA disclosures, etc. Contracts are executed with a staff member outlining key points. Each property owner is assigned a program specialist who reviews contractors bid and property owner application, provides TRIDs and executes contract signing.</p>	<p>yes</p>	<p>Payment Protection - Contractors are NOT paid for any products or services until the homeowner submits a signed Completion Certificate to the HERO Program to validate that the Contractor has met all commitments. Product Eligibility - Eligible improvements are limited to those which either generate renewable energy or are certified to be energy or water efficient by the U.S. Department of Energy, the U.S. Environmental Protection Agency, the California Energy Commission, the California Department of Water Resources, or by a regional body. Permit Verification - Depending on the property location and the product's installation, compliance with certain city and/or county building permits might be required along with other applicable federal, state, and local laws and regulations. Program requires verification that homeowners have pulled the necessary permits for qualifying products. Market Value Pricing - HERO evaluates the cost of projects against historical prices for similar projects and products. Those with costs beyond a reasonable range are flagged and the Program follows up with the Contractor to determine whether there is a justification for the cost differential. If not, HERO will not approve the financing. Terms Confirmation - HERO requires homeowners to confirm that they have read and are aware of the terms of their financing documents prior to approval.</p>	<p>65+ years old receives add'l explanatory call with option of third party consultation to ensure full project and payment understanding. Clear Financing Statement w/ APR, Total payment obligation, 3-day Right of Rescission, Completion Certificate signed by both Homeowner & Contractor, Dispute Resolution process, and remove bad actor contractors. Find CSCDA's adopted Consumer Protection policies here. CaliforniaFIRST will also have an audit process in place this summer to ensure compliance. Find additional information on CSCDA's adopted Consumer Protection policies in the link. http://www.cscda.org/Open-PACE/Documents/PACE-Consumer-Protection-Policies-final-12-1-15</p>	<p>See attached policy documents.</p>
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<p>Contractor Selection</p>	<p>Open to all contractors who attend seminar, properly licensed/bonded and insured, foregoing is independantly verified for each application</p>	<p>yes</p>	<p>To be a HERO Registered Contractor, the Contractor must maintain an active California Contractor State License Board (CSLB) license which requires the company remain in good standing with the CSLB, maintain the required bond, and carry worker's compensation insurance. The CSLB license holder and all Registered Contractor Affiliated Individuals (such as in-home sales personnel) must complete an identity verification and must comply with a HERO Contractor Code of Conduct. Upon successfully completing all registration, testing, and training requirements, HERO Registered Contractor Representatives are issued a HERO Registered Contractor Certificate. In addition, consumers may search www.heroprogram.com to ensure that Contractors are in fact HERO registered and approved. To remain registered with the Program, Contractors and their representatives are required to comply with all Program terms and conditions and may be suspended or removed from the Program if they violate such terms and conditions.</p>	<p>Encourage multiple bids from Certified Contractor list.</p>	<p>Property owner selects certified contractor; if not certified, Ygrene does so before the project; Ygrene recommends obtaining multiple bids.</p>
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Contractor Fees	None	no	None	None.	Program does not charge the contractor for participation. There is an origination fee (up to 4%) that may be either included in the project bid or listed separately.
Contractor Training	Contractor required to attend in person seminar explaining program details, requirements, and application process and contractor requirements and procedures	yes	The HERO Program provides a training program designed to get contractors comfortable with the financing terms and the property owner approval process. Training resources include: sales training, software training, product eligibility, document processing, completion certification, payment options, as well as marketing policies and brand usage guidelines.	Training required to become registered with the program, with ongoing new program feature retraining opportunities available.	In person training and regular updates and/or re-training. Contractor certification, oversight and discipline part of compliance process.
Complaint Process	Addressed by county staff and escalated up to an elected official	yes, but not formalized	If homeowners have a dispute, they may call 1-888-720-HERO or email heroprotect@heroprogram.com and Renovate America will provide support and assistance to homeowners seven days a week.	In-house dispute resolution services hotline.	Dedicated email and telephone support; staffed by senior/experienced Ygrene professionals.

Defaults and Foreclosures	No Defaults outstanding, No foreclosures	no	<p>Since program inception in 2012, there have been 21 foreclosures for a 0.03% foreclosure rate.</p> <p>While there have been 21 foreclosures, none have been triggered by HERO. There is a 0.04% delinquency rate.</p>	Zero defaults and zero foreclosures.	<p>Default rate = 0%</p> <p>Foreclosure rate (post-PAVE project) = 0.02%</p>
PACE Loan Loss Reserve Participation	Yes, since CAEATFA PACE Loss Reserve inception	yes	Yes (members of CAEATFA since inception)	Yes.	Yes (CAEATFA)
Time range from Application to Payment	Approximately 7 days to contract signing, payment subject to project completion, payment made after project has proof of final permit inspections	Application rec'd to "in-contract" as little as 4 days. 90 days to complete the work once contract is signed	<p>Renovate America's technology platform allows the HERO program to run applications through its underwriting criteria and reach a decision on an application - approved, declined, or in review within minutes.</p> <p>Project time cycles from application to funding completion varies by project type (HVAC vs Solar vs Roofing, etc.) however, average time from job completion to payment is between 12 hours to 2 days.</p>	<p>Complete applications can receive approval in minutes. Project completion timeline depends on contractor, homeowner, and type of project. No more than 48 business hours for contractor payment if payment request is submitted by 10:00 am (and both homeowner and contractor have signed Certificate of Completion.</p>	<p>Varies widely based on project. Small, 'break-fix' (equipment replacement) projects could span as little as one week. Larger, more complex projects can take weeks or months, and possibly more than a year to complete.</p>

<p>JPA/Local Government Oversight</p>	<p>Monthly reports, meetings upon request</p>	<p>yes</p>	<p>Western Riverside Council of Governments (WRCOG) San Bernardino Associated Governments (SANBAG) Los Angeles County</p>	<p>CaliforniaFIRST is overseen by LA County and CSCDA. LA County and CSCDA approve the program handbook, underwriting guidelines, all eligible measures, and sign every assessment contract. They issue PACE bonds on a weekly basis. Local governments have to opt in to participate and can opt out at any time. CaliforniaFIRST provides quarterly program reports to local governments, as well as on an as-needed basis.</p>	<p>GSFA and CVAG (legal, operational policies; project review & approval); additional, local oversight varies by jurisdiction</p>
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Application and Termination Process for Local Government	90 Days without cause immediate for cause, potentially immediate for FHFA Contravention	n/a	Communities can adopt a resolution to become associate members of JPA or other local government authority (e.g., a County). The JPA and/or County can enforce its rights to compel provider compliance under the terms of an administration agreement. Cities and Counties may also opt-out of the program with 30 days notice (does not impact completed or in-process applications).	Opt-in requires a resolution and membership in the JPA (if not already a member).	Local governments authorize the JPA-based by approving a resolution ('opt-in' process). Jurisdictions may 'opt-out' via the same process.
"Contractual Subordination" or "Limited Subordination Agreements" Offered	Not offered per Tax Collector policy	no	Contractual Subordination (offered since November of 2015)	CaliforniaFIRST offers contractual Limited Subordination upon request.	On a case-by-case basis.
Number Requested from Home-owners and Number Approved	None/none	3,170 applications rec'd, 2,496 approved	Approximately 1,082 subordinations have been requested, 965 have been approved, and 552 have been completed.	31 requested and 29 approved.	Have received inquiries, but no formal requests to-date.

Other Financing or Energy Loan Programs Offered other than PACE	Utiltliy provided rebates and incentives when applicable	yes	Renovate America also offers an unsecured loan product called Benji that provides a simple financing option to homeowners designed to complement the HERO Program. Benji can finance any type of home renovation, even those that are not related to energy efficiency or water savings.	None in California.	N/A
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Exhibit 26



Residential Property Owner Handbook

Version 15.9 – October 2018

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1 Program Introduction

1.1 Program Overview

The CaliforniaFIRST Program (“Program”) is intended to help property owners make capital investments in distributed generation renewable energy sources, energy efficiency, water efficiency, and seismic improvements* (collectively known as “Eligible Products”) that will provide long-term benefits and reduce energy bills. There are three separate Sponsors of distinct CaliforniaFIRST programs: the California Statewide Communities Development Authority (CSCDA), the County of Los Angeles and the Western Riverside Council of Governments (WRCOG). Each Sponsor determines the guidelines and rules of the Program, and there may be differences in underwriting requirements, fees, and eligible products between Sponsors. These Sponsors selected Renew Financial Group LLC (“Renew Financial”) (formerly known as Renewable Funding, LLC) to administer the Program as part of CaliforniaFIRST, a statewide Property Assessed Clean Energy (PACE) program. As Program Administrator, Renew Financial manages the Program Call Center and daily activities of the Program.

The Program will provide a financing mechanism for the Eligible Products through an assessment contract (the “Assessment Contract”) between the Sponsor and the property owner, pursuant to which the Sponsor will disburse a specified amount to the property owner. The property owner will pay contractual assessments levied against the property through annual installments on the property tax bill. If the owner sells the subject property prior to full repayment of the assessment, the repayment obligation remains a lien on the subject property. The Sponsor intends to finance the Program in part by issuing (or causing to be issued) bonds payable from contractual assessment revenues. Participation in the Program is completely voluntary and property taxes for non-participating property owners are unaffected by the Program.

You and all other property owners sign an assessment agreement and agree to repay the amount financed over a period of 5, 10, 15, 20, 25 or 30** years, depending on the type of property, the financing amount, and the expected useful lifetime of the installed Eligible Products. An assessment lien is recorded on your property to secure the financing. The lien will be senior to liens for mortgages and other non-governmental liens on the property.

***The list of Eligible Products may vary by Sponsor.**

****30-year financing term is only available for certain products in certain areas. See Appendix F for interest rates and financing terms.**

The list of Participating Communities is available on the Program website and in this Handbook, as Appendix D. In addition, you and all other property owners on title must meet all of the eligibility requirements and agree to comply with all of the Program rules for the application and funding processes, installment of Eligible Products, and repayment of the Total Assessment Obligations, as outlined in this Handbook.

1.2 Program Contact Information

Main Program Address	CaliforniaFIRST c/o Renew Financial Group LLC 1620 E. Roseville Parkway, Suite 240 Roseville, CA 95661
Program Local Address (For LA County Only)	General questions about CaliforniaFIRST can be answered by staff at: Center for Sustainable Energy 617 West 7th Street, Suite 305 Los Angeles, CA 90017
Program Website	https://renewfinancial.com/product/californiafirst
Program Email	info@renewfinancial.com
Program Phone Number	844-RENEWFI (844-736-3934)
Program Fax Number	(510) 379-5300
Contractor Registration Phone Number	844-RENEWFI (844-736-3934)
Contractor Registration Email	contractors@renewfinancial.com

1.3 Program Call Center Hours

Program Call Center hours are 8 am to 9 pm, Monday through Friday, 9 am to 6 pm on Saturdays, and 10 am to 6 pm on Sundays. Please see the Program website for recent updates about the Call Center operation times, phone number and other relevant information.

1.4 Helpful Terms

This Handbook lays out how you can participate in the Program. Below is a reference list of key terms that will help you understand what is required for participation in the Program.

Annual Assessment Obligation: the annual amount added to your property tax bill, which is equal to Principal, Interest, and Estimated Administrative Expenses for one tax year.

Annual Financing Installment: the annual Principal and interest paid for one tax year.

Assessed Value: the dollar value on which you pay property taxes.

Assessment: also called Principal or Total Financed Amount. This is equal to the sum of the Project Amount and Upfront Costs.

Assessment Contract: the legal financing agreement between Property Owner(s) and the Sponsor.

Assessment Contract Date: the date that the Assessment Contract was generated for Property Owner(s) signature.

Building Permits: the formal approval of building plans by the designated government agency as meeting the requirements of prescribed codes. It is an authorization to proceed with the construction or reconfiguration of a specific structure at a particular site, in accordance with the approved drawings and specifications.

California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA): a part of the California State Treasurer's office that manages the PACE Loss Reserve Program.

California Statewide Communities Development Authority (CSCDA): the sponsoring entity and bond issuer for the Program with the exception of properties within Los Angeles County and participating WRCOG cities.

California State Licensing Board (CSLB): the state entity in California that licenses and regulates all contractors.

Capitalized Interest: the interest on the financed amount for the period prior to the first tax year (or initial tax year) in which payment is made.

Custom Products: renewable energy, energy efficiency, water efficiency, or seismic products that require special approval to be financed by the Sponsor through the Program because the products are not included on the Eligible Products List. Custom Products should produce renewable energy or save energy or water for a reasonable cost. The list of Eligible Products may vary by Sponsor.

Energy Auditor: performs an energy audit, which is an evaluation of energy consumption in a home to determine ways in which energy can be conserved.

Eligible Products: approved items that are authorized improvements to the Property and may be financed through the Program. Eligible Products are listed in Appendix C.

Estimated Administrative Fee: the annual fee to cover the applicable county's and the Sponsor's costs of collecting the Assessment on your property tax bill.

Expiration Date: the date that all approved Eligible Products must be installed and completed in order for the locked interest rate on the Assessment Contract to remain unchanged. (90-120 days after the Assessment Contract Date, depending on the installed Eligible Products).

Financing Documents: the Assessment Contract and related documents that are sent to Property Owner(s) after an application is approved.

Financing Installment: the Principal and interest component of the Annual Assessment Obligation.

Funding Date: the latest possible date for disbursement of payment to the designated payee indicated on the Completion Certificate.

Interest Rate: the rate applied to the financed amount. This is not compounded.

Lien Recording Fee: the County fee charged for recording notice documents relating to the Assessment on the Property.

Los Angeles County: the sponsoring entity and bond issuer for the Program within the County of Los Angeles.

Notice to Proceed: The formal notice from the Program Administrator that your financing application has received final approval and you may begin your project. Your Participating Contractor should not begin installation of your project prior to receiving the Notice to Proceed.

Participating Contractor: the person or business entity who contracts to install Eligible Products and has signed a Contractor Participation Agreement.

Participating Communities: areas where Program financing is available as identified in Appendix D. Other member agencies of the Sponsor may elect to participate in the future.

Principal: also called Total Financed Amount or Assessment. This is equal to the sum of the Project Amount and Upfront Costs.

Project Amount: the total amount requested by Property Owner to finance the installation of Eligible Products.

Property: the real property where Eligible Products will be installed.

Property Owner: the record owner(s) of the fee title to the Property.

Program: the CaliforniaFIRST Program. There are three distinct Programs with separate Sponsors: CSCDA, the County of Los Angeles, and WRCOG. For detailed underwriting differences in these Programs, see Appendix E.

Program Administrator: Renew Financial (formerly known as Renewable Funding, LLC) is the designated Program Administrator on behalf of the Sponsor.

Program-Related Fees: one-time fees incurred at funding. Program-Related Fees include program administration, origination, program sponsor, bond counsel, and tax administration.

Program Sponsor: California Statewide Communities Development Authority (CSCDA), the County of Los Angeles, and the Western Riverside Council of Governments (WRCOG).

Property Value: the value derived from an automated valuation model, the Assessed Value, Broker Price Opinion or the appraised value.

Residential: 4 residential units or fewer.

Reserve Fees: one-time fees or deposits incurred at funding to pay for reserves that support bond holders' and mortgage holders' interest, such as Reserve Fund.

Term: the number of years to pay off the Assessment.

Total Financed Amount: also called Principal or Assessment. This is equal to the sum of the Project Amount and Upfront Costs.

Total Assessment Obligations: the sum total of Principal, interest and Estimated Administrative Expenses over the Term.

Total Project Amount: amount to be disbursed to the Property Owner or Participating Contractor for the costs of the Eligible Product(s) installed on the Property.

Upfront Costs: one-time fees incurred at funding. Upfront Costs include Program-Related Fees, Lien Recording Fee, Reserve Fund, and Capitalized Interest.

Western Riverside Council of Governments (WRCOG): the sponsoring entity and bond issuer for the Program for certain jurisdictions within the western region of Riverside County.

1.5 Federal Housing Finance Administration overview

It is important to note that on July 26, 2010, the Federal Housing Finance Administration (FHFA) issued its statement entitled, "FHFA Statement on Certain Energy Retrofit Loan Programs" (FHFA Statement) which provided in part that:

"[...]In addressing PACE programs with first liens, Fannie Mae and Freddie Mac should undertake actions that protect their safe and sound operations. These include, but are not limited to:

- Adjusting loan-to-value ratios to reflect the maximum permissible PACE loan amount available to borrowers in PACE jurisdictions;
- Ensuring that loan covenants require approval/consent for any PACE loan;
- Tightening borrower debt-to-income ratios to account for additional obligations associated with possible future PACE loans;
- Ensuring that mortgages on properties in a jurisdiction offering PACE-like programs satisfy all applicable federal and state lending regulations and guidance[...]"

In September 2013, Governor Jerry Brown signed Senate Bill 96 into law, authorizing California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to establish a PACE Loss Reserve Program to assist in addressing FHFA's financial concerns and support these residential PACE financing programs. The \$10 million Loss Reserve, launched in March 2014, makes first mortgage lenders whole for any losses in a foreclosure or a forced sale that are attributable to a PACE lien which has been registered with CAEATFA. The goal of the PACE Loss Reserve Program is to put first mortgage lenders in the same position they would be in without a PACE lien. CaliforniaFIRST is a participant in the PACE Loss Reserve Program.

There can be no assurance that the FHFA will not act to reemphasize, or take other similar action to issuing, the FHFA Statement in the future. Please see Section 4.9 for more information about the Assessment lien and potential implications for a refinancing or sale of the property.

1.6 Other Useful Resources

Information on rebate programs, contractor standards, and other useful information is provided in Appendix A.

1.7 Future Program Changes

The Sponsor reserves the right to change the Program and its terms at any time; however, any such change will not affect your existing responsibility to pay the Total Assessment Obligations agreed to in an executed Assessment Contract.

Your participation in the Program will be subject to this Handbook and other documents signed as part of the Program. If any provisions of this Handbook are determined to be unlawful, void or for any reason unenforceable, then that provision shall be deemed severable from the Handbook and shall not affect the validity and enforceability of any remaining provisions.

2 Program Eligibility Requirements

You should carefully review this section in order to determine whether you are eligible for the Program before submitting an application. A summary of eligibility requirements is listed below, with details on each requirement provided in sections 2.1 - 2.10. The CaliforniaFIRST programs are compliant with recent PACE consumer protection legislative bills – California Senate Bill 242 and Assembly Bill 1284 – and the Program Administrator will continue to ensure compliance with upcoming requirements related to these pieces of legislation.

Summary of Eligibility Requirements

PROPERTY
Property must be in a Participating Community.
Property must be Residential.
Improvements must be made to existing properties or new residential properties where the initial construction is undertaken by the intended owner or occupant.
Manufactured homes approved if permanently attached to Property.
No current involuntary liens and/or judgments totaling more than \$1,000 for all Property Owner(s).*
PROPERTY OWNER(S)
Applicant(s) must be the owner(s) of record of the Property.
Property Owner(s) must sign all required documentation.
Property Owner(s) must be current on their property taxes and have no more than 1 late payment in the last 3 years, or since the Property Owner(s) acquired the property.*
The Property is not subject to Home Equity Conversion Mortgage or other type of reverse mortgage.
Property Owner(s) must be current on all subject Property-secured debt and have no more than 1 30-day late payment in the last 12 months.*
There must be no notices of default or foreclosure filed against the Property within the last 2 years.*
Property Owner(s) must not currently be in bankruptcy proceedings, and must not have any bankruptcies released, discharged, or dismissed in the last 2 years. If a bankruptcy has been released, discharged, or dismissed in the last 2 to 7 years, then the Property Owner(s) must have no payments more than 30 days past due in the last 12 months.*
Property title cannot be subject to power of attorney, easements or subordination agreements restricting authority of the Property Owner(s) to a PACE lien.
Property Owner(s) must demonstrate a reasonable ability to pay the annual payment obligations for the PACE assessment based on income, assets, and current debt obligations. (See Section 2.3 for more information on waiving income verification for emergency HVAC systems.)
PRODUCTS
The products must be energy efficiency, renewable energy, water efficiency, and/or seismic products; they must be permanently fixed to the property, they must be new products; and they must meet minimum efficiency and/or other requirements identified for Eligible Products. The list of Eligible Products may vary by Sponsor.
CONTRACTORS
All Eligible Products must be installed by a Participating Contractor.
PROJECT AND ASSESSMENT AMOUNTS
Minimum Total Project Amount is \$5,000.
Total Maximum Assessment amount per Property is the lesser of \$250,000 or 15%** of the value of the Property and, when combined with any other debts or obligations secured by the Property, cannot exceed 97% of the value of the Property.***
Financing term cannot exceed the useful life of the Eligible Product.
The all-in tax rate on the Property (including the Assessment and other assessments) may not exceed 5% of the Property value.
Maximum Assessment amount depends on the Property Owner’s annual income.
Property Owner(s) should participate in available state and federal incentive and rebate programs and must declare any rebates received for the project.

* Additional underwriting criteria apply to properties in certain jurisdictions. See Appendix E.

** Maximum Assessment amount is limited to 15% of value of the property for the first \$700,000 of the property value, then no greater than 10% is allowed for the remaining value over \$700,000.

*** Any Assessment amount in excess of \$250,000 In Los Angeles County requires specific approval of the Sponsor.

2.1 Eligible Properties

Properties of three or fewer residential units are generally eligible, with the following eligibility requirements:

Property Located Within Participating Community

Property must be located in a Participating Community, and if within the boundaries of a city, the city must have adopted a resolution to join the Program. A list showing Participating Communities is located in Appendix D of the Handbook. The Property must also not be exempt from ad valorem real property taxes, which is a tax on goods or property expressed as a percentage of the sales price or assessed value. The Property must also comply with the California Environmental Quality Act.

Limited New Construction

All eligible improvements that qualify for Program financing must be on existing properties or on new residential properties where the initial construction is undertaken by the intended owner or occupant.

Manufactured Homes, Condominiums, and HOAs

Only mobile and manufactured homes that are permanently-attached to the real property shall qualify. Manufactured homes are eligible if the manufactured home owner(s) also own the underlying land and pay real property taxes (DMV fees do not qualify).

Condominium and HOA-controlled property may qualify, pending management or association approval of requested Program improvements. Condominiums may be restricted as to the Eligible Products that may be installed depending on the rules of the condominium association as well as the physical design of the unit. It is the responsibility of condominium owners to obtain authorization from the condominium association's management stating that the Property Owner is allowed to install the requested Eligible Products. For properties subject to homeowner's association (HOA) restrictions, it is the responsibility of the Property Owner to obtain authorization that the requested Eligible Products meet all the HOA requirements, as applicable.

Minimum Total Project Amount

The amount to be financed must be at least \$5,000.

Maximum Assessment to Value Amount

The total maximum Assessment amount per Property must be less than 15% of the value of the Property. Note that 15% of Property Value is only available for first \$700,000 of the property value then 10% of any property value thereafter. Any property located within the County of Los Angeles with an assessment amount in excess of \$250,000 requires specific approval of the County. In addition, the amount financed under the Program, when combined with any other debts or obligations secured by the Property, cannot exceed 100% of the value of the Property.

Required Equity in the Property

Within some jurisdictions, mortgage-related debt on the Property must not exceed 90% of the value of the Property, which is equivalent to having 10% equity in the Property. See Appenix E for a list of which jurisdictions have this requirement.

Liens on Property

The Property must not have any federal or state income tax liens, judgment liens, mechanic's liens, or similar involuntary liens on the Property greater than \$1,000 in aggregate. Prohibited liens do not include community facility district assessments or other financing district liens placed on all properties in that particular financing district*. Any non-mortgage-related debt will be subject to review.

*Additional underwriting criteria apply to properties in certain jurisdictions. See Appendix E.

2.2 Eligible Property Owners

In addition to the property eligibility requirements, you as a Property Owner must meet specific criteria in order to be eligible to participate in the Program. The eligibility criteria for all Property Owners on the title are set forth below.

Residential Property Owners:

1. You must be the Property Owner(s) of record - Only Property Owners who are the owners on record for respective property shall be considered for Program approval;
2. All Property Owners must sign all required documentation, including, but not limited to, the application, the Assessment Contract and the Completion Certificate - All Property Owners on record for the respective property who meet the requirements mentioned heretofore must sign and thusly execute all related Financing and Program Documents;
3. You must be current on your property taxes and have no more than 1 late payment in the last 3 years, or since you acquired the property;*
4. You must be current on all subject Property-secured debt at the time of application and have no more than 1 30-day late payment in the last 12 months;*
5. The Property is not subject to Home Equity Conversion Mortgage or other type of reverse mortgage.
6. There must be no notices of default or foreclosure filed against the Property while held by the current Property Owner(s) within the last 2 years; and
7. You are not currently be in bankruptcy proceedings, and did not have any bankruptcies released, discharged, or dismissed in the last 2 years. If you had a bankruptcy has been released, discharged, or dismissed in the last 2 to 7 years, then you have no payments more than 30 days past due in the last 12 months.*

* Additional underwriting criteria apply to properties in certain jurisdictions. See Appendix E.

Ability to Pay

Property Owner(s) must demonstrate a reasonable ability to pay the annual payment obligations for the PACE assessment by providing accurate information on income, assets, and current debt obligations. The maximum Assessment amount depends on the Property Owner’s annual income, assets, and current debt obligations. Property Owner(s) attest to true and accurate ability to pay information by signing the Application Form and Disclosures.

Authority of Property Owner

The Property’s title cannot be subject to power of attorney, easements or subordination agreements restricting authority of the Property Owner(s) to subject the Property to a PACE lien, other than issues related to standard mortgage loan agreements.

Trust Ownership of the Property

To be considered for the Program, properties held in a trust must furnish relevant documentation providing the clear and exact right of the trustee(s) to attach a Program-resultant encumbrance upon the respective property. All trustees must meet all applicable underwriting requirements and all trustees must sign all Program documents, including the Assessment Contract.

2.3 Eligible Products

The Program offers financing for various energy efficiency, renewable energy, water efficiency and seismic products (Eligible Products). The list of Eligible Products may vary by Sponsor.

Eligible Products Must Be Permanently Affixed, New Products

Only permanently affixed, new products are considered “Eligible Products” and thus financeable through the Program. Remanufactured, refurbished, used or new equipment transferred from a previous location are not eligible. Previously installed products are not eligible for Program financing. Products that are not permanently affixed are not eligible, such as light bulbs and other non-fixtures.

Proposed Products Must Meet Minimum Eligibility Requirements

There are minimum efficiency and/or other requirements tied to each Eligible Product. A complete list of Eligible Products with minimum specifications for Residential properties is available in Appendix C. Property Owners should confirm with their contractor(s) that proposed products meet the minimum specifications set forth in the Eligible Products List. Your Participating Contractor must attest that all Eligible Products meet the stated minimum eligibility criteria.

Before installing Eligible Products, you or your Participating Contractor are required to provide details regarding the proposed Eligible Products, which you can do by calling the Program Call Center (see Section 1.2).

Custom Products May Be Eligible

You may apply to install a permanently affixed energy efficiency, renewable energy, water-efficiency or seismic product (depending on Sponsor) not included on the Eligible Products List by submitting a Custom Product Application. The Program Administrator must approve all Custom Product Applications. See Section 4.5 for additional details on submitting a Custom Product Application.

Solar Systems Must Meet CSI Requirements

All solar photovoltaics (solar PV) and solar thermal systems must use California Solar Initiative (CSI) eligible equipment and must be installed according to CSI requirements. The Program Administrator recommends that energy efficiency measures be completed prior to installing solar PV systems in order to address energy conservation prior to energy generation.

Emergency Heating, Ventilation, and Air Conditioning (HVAC)

Per the terms of California Assembly Bill 1284, in the case of emergency or immediate necessity to finance an eligible HVAC system, boiler, or other system whose primary function is temperature regulation in a home, income verification may be waived if automated income verification is not available and the following conditions are met:

- Automated verification of income is attempted by the Program Administrator;
- The Program Administrator asks open-ended questions to confirm Property Owner(s)' income;
- The Property Owner(s) waive(s) the right to cancel financing as found in the Acknowledged Notice of Right to Cancel document; and
- The assessment amount is capped at \$15,000.

2.4 Eligible Costs

Eligible costs under the Program include both the cost of the equipment and installation. Installation costs may include, but are not limited to, energy/water audit, appraisals, labor, design, drafting, engineering, permit fees, and inspection charges. The installation must be completed by a Participating Contractor who is registered with the Program

If you elect to complete your financed improvements at the same time as a larger remodeling project, financing is only available for the Eligible Products used to improve the existing structure. Repairs to the existing building's envelope, systems and/or infrastructure are not eligible except where necessary to install the Eligible Product. If you are planning to finance Eligible Products included in a larger remodeling project, you should first contact the Program Call Center to determine what costs will be eligible for financing.

The cost of installing the Eligible Products must be reasonable and accomplished within industry cost guidelines. You are encouraged to get multiple bids so that you may determine an appropriate range of costs for your home improvements. The Program Administrator shall have the right to refuse to finance an Eligible Product that exceeds such guidelines, and/or to request additional documentation or other information to determine the reasonableness of any Eligible Product.

2.5 Eligible Participating Contractors

You must select a Participating Contractor who has signed-up with the Program. Participating Contractors must have an active license with the CSLB, which includes meeting the CSLB's bonding and workers' compensation insurance requirements, and agree to all Program terms and conditions via a Contractor Participation Agreement. In addition, Participating Contractors may only install Eligible Products for which they have the appropriate CSLB license.

You independently choose which Participating Contractor will work on the installation of your Eligible Products. **The Sponsor, the purchaser of bonds issued by the Sponsor, and the Program Administrator do not endorse contractors who register with the Program, any other person involved with the installed products, or the design of the products, or warrant the economic value, energy savings, safety, durability or reliability of the Eligible Products.**

2.6 Eligible Assessment Amounts

The minimum total project amount is \$5,000. The total maximum Assessment amount per Property must be less than 15% of the value of the Property. Note that 15% of Property Value is only available for first \$700,000 of the property value then 10% of any property value thereafter. In Los Angeles County any assessment amount in excess of \$250,000 requires specific approval by that County. The Assessment amount plus the mortgage-related debt must not exceed 97% of the value of the Property.*

The maximum Assessment amount depends on the Property Owner's annual income.

The value of the Property will be the market value based on an automated valuation model (AVM) value provided by a third party independent vendor. In certain circumstances, a recent appraisal may be used instead of the AVM value. Property owners interested in an alternative valuation of their property should contact the Call Center. The Program Administrator does not coordinate, advance the cost, nor choose an appraiser.

* Additional underwriting criteria apply to properties in certain jurisdictions. See Appendix E.

2.7 Eligible Assessment Term(s)

Assessment Contracts may include financing for a term of 5, 10, 15, 20, 25 or 30* years. The financing term may not exceed the useful life of the installed Eligible Product, as indicated in Appendix C. If a project includes multiple products with various terms, the financing term will be determined by summing the dollar value of products under each term and selecting the term associated with the greatest value. A Property Owner may select a shorter assessment term than the useful life of the Eligible Product(s) to be installed.

*30-year financing term is only available for certain products in certain areas. See Appendix F for interest rates and financing terms.

2.8 Eligible Rebate Programs and Tax Credits

Various federal tax credits, state and local rebates, and incentive programs exist for energy efficiency, renewable energy, and water efficiency Eligible Products. Not all Eligible Products under the Program will qualify for federal tax credits and/or state or local utility rebates.

For information on rebates and tax credits, please visit the rebates pages listed in Appendix A and talk to your Participating Contractor and/or a tax advisor.

Deductions from Financing Amount

All available up-front federal, state or utility rebates that are received for installed Eligible Products should be deducted from the requested finance amount.

Any performance-based incentives that are paid over time do not need to be deducted from the requested finance amount. State or federal tax credits resulting from the installation of Eligible Products also do not need to be deducted from the requested finance amount; however, you may wish to consider these additional benefits in determining your requested financing amount.

Solar Rebates

If you plan to install solar PV or solar water heating systems, the project must be eligible for and participate in the appropriate CSI rebate program, if available. Most solar installers can assist you with applying for these rebates.

2.9 Eligible Number of Assessments

You may apply for another Assessment under the Program for the same Property or an additional Property(ies), as long as all Assessments under the Program for a particular Property still meet all Program guidelines as to maximum Assessment limits. For all applications submitted after September 2, 2016, a residential property owner submitting multiple applications for the same property must meet certain underwriting rules for the combined value of all applications based on the valuation criteria as indicated in Section 2.6:

1. All PACE liens combined must be less than 15% of property market value,
2. In accordance with State Law, all annual payments combined (annual property tax + all PACE annual payments) must be less than 5% of property market value,
3. All debt liens combined (mortgages + all PACE liens) must be less than 97% of Property market value.*

* Additional underwriting criteria apply to properties in certain jurisdictions. See Appendix E.

2.10 Additional Program Terms and Disclaimers

This section further highlights certain of the obligations you will have as a participant in the Program.

Property Owner Agrees to All Program Terms

By signing the Assessment Contract and related Financing Documents, you and all other Property Owners certify that you have read, understood and agree to the terms of the Program as outlined in the Property Owner Handbook in addition to the terms of the Assessment Contract. You and all other Property Owners also certify that you, the Property, and the products meet all Program eligibility requirements.

Authority to Install Products

By signing the Financing Documents, you and all other Property Owners represent that you have the authority to install the approved Eligible Products on the Property named in the Assessment Contract.

No Endorsement by Program Administrator

You and all other Property Owners agree that you understand that the Program Administrator’s review of the proposed products and approval for Program funding shall not be construed as confirming or endorsing the qualifications of you, the Participating Contractor, or any other person involved with the products; endorsing the design of the products; or as warranting the economic value, energy savings, safety, durability or reliability of the products.

Property Owner Is Responsible for Products, Permits and Inspections

Although the Program Administrator sets minimum efficiency standards for eligible products, you are solely responsible for all products installed on your Property, including the selection of any Participating Contractor(s), energy auditor(s), or equipment. Any performance-related issues are the responsibility of you and the Participating Contractor(s). Neither the Sponsor, the purchaser of bonds issued by the Sponsor, or the Program Administrator is responsible for the performance of the products. Completion of all city and county permitting and inspections are the responsibility of you and the Participating Contractor.

Right to Validate Products by Program Administrator

You have agreed that the Program Administrator may perform independent on-site validation(s) of any Eligible Products financed through the Program, including if permit inspections have already been completed. If a validation visit is required, the Program Administrator will schedule any such on-site validation visit with you at your convenience.

Defaults on Assessment Payments

Not later than October 1st of every year until your Assessment Obligation is paid off it will be determined whether any Annual Assessment Obligation is delinquent. After written notification, defaults in payment of Annual Assessment Obligations may result in the initiation of foreclosure proceedings with respect to the Property on the December 1st following such default.

Rebates and Tax Credits

Federal, state or local laws or rebate programs may change at any time. Therefore, neither the Sponsor nor the Program Administrator is liable for any loss of or change in a rebate or tax credit. You should consult your tax advisors and/or accountants as to the applicability of any federal tax credits to your personal tax situation.

Tax Deductibility of Assessment

The interest portion of your PACE assessment may be tax deductible. You are urged to consult a tax advisor regarding the deductibility of such payments.

Program Database

All information obtained from you through the Program will be used only for purposes of the Program.

Releases and Indemnification

By submitting an application, you acknowledge that the Sponsor has formed the Program solely for the purpose of assisting you and other Property Owners in the Participating Community with the financing of approved Eligible Products and that the Sponsor, the purchasers of bonds from the Sponsor, and the Program Administrator have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of the products. You and all other Property Owners 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 Sponsor, the purchasers of bonds from the Sponsor, or the Program Administrator to guarantee or ensure the performance of any products. You acknowledge that you will be responsible for payment of the Total Assessment Obligations regardless of whether the products are properly installed or operate as expected.

You also agree to release, defend, indemnify and hold harmless the Sponsor, the purchasers of bonds from the Sponsor, and the Program Administrator, including their officers, directors, employees, affiliates 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 your 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.

Disclosure of Participant Information

By submitting an application, you agree that the Sponsor may disclose your personal information to the Program Administrator, and that the Sponsor and the Program Administrator may disclose that information to third parties when such disclosure is essential to the conduct of the Sponsor's or its member agencies' business or to provide services to you, including, but not limited to, where such disclosure is necessary to (i) comply with the law, legal process or regulators, (ii) enable the Sponsor or the Program Administrator to provide services to you and to otherwise perform their duties, and (iii) obtain and provide credit reporting information. The Privacy Policy Notice provides further details on the Sponsor's information collection and sharing practices.

You agree to the release of your name and contact information and the Property's utility usage data from the local utility company for 12 months before installation of the improvements and up to 24 months after the end of the financing term to the Sponsor and the Program Administrator for the purpose of conducting surveys and evaluating the Program and its impact. In addition, you understand that the Sponsor 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.

Renewable Energy Certificates and other Environmental Attributes

If you install solar PV or non-PV electricity generating systems, Renewable Energy Certificates (RECs) and all related environmental attributes will be assigned to the Sponsor for the length of the financing term.

3 Financial Terms

3.1 Assessment Costs

Below are the costs associated with Program financing. All interest rates and fees are subject to change. Interest rates and fees for an Assessment are set at the time that Financing Documents (see Section 4.6) are issued. If work is not completed by the Expiration Date indicated on the Financing Documents, then the Program Administrator reserves the right to require you to enter into a new Assessment Contract for Program financing. The new contract may have a different interest rate and costs.

Upfront Costs

Upfront Costs are one-time fees that become part of the Assessment including the following:

Program-Related Fees

Program-Related Fees are one-time fees added to the Assessment at the time of funding. Program-Related Fees include the costs of Program administration and origination, bond counsel, Program sponsor fee (the Sponsor), and tax administration. The amount of the Program-Related Fees is identified in the Financing Statement.

Lien Recording Fee

You will need to pay for any and all fees the Sponsor charges to record the Assessment lien documents on your Property. These fees will be added to the Assessment amount. The Lien Recording Fee amount will be listed in the Financing Statement.

Reserve Fees

Reserve fees are one-time fees or deposits incurred at funding to pay for reserves that support bondholders' and mortgage holders' interests. The amount of the deposit to all reserve funds will be provided in the Financing Statement. These include:

- **Reserve Fund:** A deposit to pay debt service on the bonds in the event of delinquencies in payments of Assessments.
- **Foreclosure Fee:** This fee does not apply under all Sponsors. A deposit to cover the Sponsor's costs to initiate judicial foreclosure for properties of Property Owners that are delinquent on payment of their Annual Assessment Obligations.

The amount of the deposit to all reserve funds will be provided in the Financing Statement.

Capitalized Interest

Based on the Funding Date of your Assessment Contract, payments on your Assessment may not begin until the following year's tax statement. Capitalized Interest is the amount of interest that is added to the Assessment amount for the period prior to the first tax year in which payment is made. The amount of Capitalized Interest for your Assessment will be included in the Financing Statement.

Estimated Administrative Expenses (Annual)

Each year an administrative fee will be included in the Annual Assessment Obligation on your property tax bill. This fee covers the annual costs to place the lien on the property tax rolls and manage the tax payments. These expenses may vary over the Term based on changes

to local government and the County fees. The Estimated Administrative Fees will be identified in the Assessment Contract and will not exceed \$100 per year.

3.2 Annual Repayments

You will repay Principal and interest, plus an Estimated Administrative Expense over 5, 10, 15, 20, 25 and 30* years, depending on the approved Term. Payment will be billed and paid through a separate line item on your property tax bill. As with other property taxes, the Annual Assessment Obligation is due in one or two installments each year. The payment schedule will be attached to the Assessment Contract that you sign. Failure to repay the Annual Assessment Obligation will result in interest and penalties and may result in foreclosure on your Property.

*30-year financing term is only available for certain products in certain areas. See Appendix F for interest rates and financing terms.

3.3 Foreclosure

Not later than October 1 each year, the County shall determine whether any annual assessment obligation is not paid when due and shall have the right to order that any such delinquent payment, penalties, interest, and associated costs be collected by a foreclosure action brought in Superior Court that could result in a sale of the Property for the payment of such delinquent assessment obligation.

3.4 Prepayment of the Assessment

The Assessment may be prepaid, in whole or any other amount of \$2,500 or more, at any time. Prepayments will be applied at the end of the month in which funds are received. Upon request, a payoff statement and payment instructions will be provided. The prepayment amount will include (i) a credit for any refund of capitalized interest, (ii) accrued interest and interest that would otherwise accrue on the amount prepaid through the first bond interest payment date that is at least 65 days following the date of the prepayment and (iii) the reasonable costs of the County related to the prepayment.

If you make any prepayments, then on or prior to June 30*, an updated payment schedule that reduces subsequent annual installments so that the remaining scheduled payments will be sufficient to repay all amounts then due under the Assessment by the end of the original term of this Agreement will be sent. **While you will enjoy a lower annual installment following a prepayment, the term of the Assessment will not reduce. Therefore, you will pay more interest over the remaining term of the Assessment than you would pay if the subsequent annual installments were not reduced because the remaining principal balance of the Assessment will be repaid more slowly.**

*This date will change depending on year and Sponsor. Please contact Renew Financial for the exact dates.

Due to circumstances outside the Sponsor's control, prepayments made after June 30 of any calendar year may result in you receiving a tax bill that does not reflect that prepayment. In these circumstances, you must pay the full tax bill and the Sponsor will refund overpayments to you when the Sponsor receives the money from the tax collector.

In order to prepay, you will need to contact the Program Call Center to initiate the prepayment. If the Assessment is to be prepaid in full or part, this will include a calculation of the prepayment amount as described above. Renew Financial does not charge the property owner a fee when a prepayment is made.

4 Program Process

This section describes the application and financing process for you and the Participating Contractor.

4.1 Scope of Project - Obtain Quote

You can select which Eligible Product(s) you wish to finance through the Program. A Participating Contractor can help you determine which measures are best suited for your home and offer the best energy savings.

Funding is only available for products listed on the Eligible Products List and Custom Products, if approved by the Program Administrator. Eligible Products are listed in Appendix C of this Handbook.

Energy Audit and Solar Site Evaluation

It is highly recommended that you get a comprehensive energy and/or water audit on your Property before considering any Eligible Products. An energy or water audit can help you identify which products are most applicable to your home and which present the greatest energy or water savings potential.

If you are interested in solar PV or solar thermal, many solar contractors can provide a solar evaluation of your home.

Eligible Products

Prior to submitting an application, you should work with your Participating Contractor to determine whether a product is eligible by reviewing the current Eligible Products List. However, you should not purchase or install Eligible Products until you have a Notice to Proceed from the Program Administrator.

4.2 Apply for the Program

Application

You will need to complete an application to receive financing. You can submit the application online, by phone, or mail at the contact information provided in Section 1.2.

Submission of an application does not guarantee that you will be approved for financing. Additionally, if you proceed with installing your project prior to receiving approval, you assume the risk that your project, Property or Participating Contractor may not be eligible for financing. Your Participating Contractor should not begin installation of your project prior to receiving the Notice to Proceed.

By submitting an application, you are specifically authorizing and agreeing that the Program Administrator has permission to obtain a credit report for each Property Owner and any other consumer reports needed to verify bankruptcy and current property debt, obtain a property valuation, verify your declarations regarding title to the Property and current and historical property tax status, verify information on income and employment status, and complete any other necessary record checks to verify information in the application or confirm eligibility for the Program.

Participating Contractor Call In or Online Application

Participating Contractors may submit an application online on your behalf or call in an application to the Program. You and all other Property Owners must be available to provide information and authorization for a credit report to be pulled when the Participating Contractor calls in the application.

Hard Copy Application

A hard copy application is available for you to fill out. You may obtain the hard copy application from the Program website or from your Participating Contractor. Once completed, you may submit a hard copy application by mail or fax.

Financing 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.

Existing Mortgage. The Program establishes the manner by which the Sponsor 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 Sponsor.

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 SPONSOR. 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.

See Section 3.4 for details on prepayment of the Assessment.

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.

Foreclosure. Please see section 3.3.

4.3 Application Review

The Program Administrator will review the application and issue a notification of status as defined below.

Application Review Results

You will receive an email notification of the status of your application immediately if applying through the contractor call in method. If applying through a hard copy application, the Program Administrator will notify you of the application status determination by email or mail once the application is processed. There are five possible application review results:

Approved. An application will be “Approved” if the Program Administrator has verified all of the items’ eligibility requirements and Eligible Products have been approved. An “approved” Property Owner will receive the Financing Documents listed in Section 4.5 for signature.

Conditionally Approved. An application will be “Conditionally Approved” if the information submitted in the application meets all the underwriting eligibility requirements, on the condition that the Program Administrator can verify all such information. Additional information or documentation will be required to approve the application. When “Conditionally Approved”, a Property Owner will receive the Financing Documents listed in Section 4.5 for electronic signature but the Program Administrator may cancel the conditional approval and may not issue the final approval in the form of a Notice to Proceed if further review indicates that any program requirements for financing are not satisfied. Examples of reasons for an application to receive Conditional Approval may include 1) income must be verified, 2) mortgage or other property secured debt balance or payment history is missing or incomplete in consumer reports from consumer reporting agencies, 3) mismatch between applicants and owners listed on title, 4) number of units on property not available in reports from consumer reporting agencies, 5) property is owned by a trust.

More Information Needed. An application will be considered “More Information Needed” if additional information or documentation is required from the Property Owner to complete the application. The Program Administrator will contact the Property Owner to collect the required information or the Property Owner may contact the Program Administrator to provide the information. The Property Owner may be approved, conditionally approved or declined once the required information is received.

Under Review. An application will be considered “Under Review” if the Program Administrator must verify certain information provided in the application before a determination can be made. The Program Administrator will review third-party information to make the determination. No action is required from the Property Owner or contractor. The Property Owner may be approved, conditionally approved or declined once the required information is received.

Declined. An application will be declined if the Program Administrator determines the applicant(s), the Property, or Products do not meet the Eligibility Requirements. A Property Owner will be notified by US mail of the specific reason(s) why his or her application was denied. If the Property Owner believes there has been an error based on the stated reasons in the declination letter and is unable to resolve it quickly by contacting the Program Administrator, the Property Owner must follow the steps set forth in Section 6, Dispute Resolution, in order to formally contest the Program Administrator’s decision.

4.4 Provide Project Details and Select Rate and Term

Your Participating Contractor must submit project details and you must select an interest rate and term before financing documents can be released. You must obtain approval of all Eligible Products to be installed prior to installation.

Project Details

Required project details include 1) type of equipment, 2) quantity of equipment, and 3) cost per item. The installation cost provided by you or your Participating Contractor to the Program Administrator is a “Not to Exceed” amount and the final invoiced amount of the project may not exceed this number.

You or your Participating Contractor will need to call the Program Call Center to obtain approval of certain Eligible Products and installation costs before an application can be approved. The current Eligible Products List and the minimum requirements for each Eligible Product are available in Appendix C.

Rate and Term

You will receive a summary of available rates and terms, as well as approximate monthly and total payments, and be able to select your preferred rate and term once your contractor provides project details.

Product Cost Review

Applications may be reviewed by the Program Administrator and/or the Sponsor to assess the costs of installed eligible products and ensure consumer protection standards are being met. You should notify CaliforniaFIRST if your project installation has extenuating issues that could cause an increase in project costs. Your Participating Contractor should not begin installation of your project prior to receiving the Notice to Proceed.

Custom Products

If you wish to finance a Custom Product, you must request approval for the Custom Product. To do so, you or your Participating Contractor must complete the Custom Product Application and provide information on the product, such as:

- (a) product specifications,
- (b) the cost to install, and
- (c) estimated energy or water savings or renewable energy production.

During Custom Product review, the Program Administrator may request additional documentation or additional contractor(s) bid(s) for proposed Custom Products in order to determine that the submitted bid(s) appear to be reasonable as to cost or scope.

All Custom Product Applications must be approved by the Program Administrator and may require approval by the Sponsor. Your Participating Contractor should not begin installation of your project prior to receiving the Notice to Proceed.

The Program Administrator reserves the right to deny any Custom Product Application. Reasons for denial may include the following: the product is too experimental or unreliable; the claimed energy or water savings or renewable energy generation product is not clearly supported; the costs do not appear to be in conformance with industry standards; or installation of the product may violate local laws or regulations. The Program Administrator will provide a written explanation for any denial of a Custom Product Application.

4.5 Financing Documents

After project details are submitted and you select your rate and term the Program Administrator will provide you with your Financing Documents for signature. Financing Documents are generally provided electronically and signed with an electronic signature. Prior to signing, the Property Owner must complete a confirmation call with the Program Administrator. At the conclusion of that call the Property Owner will be provided a PIN number that will enable them to sign the documents.

The Financing Documents must be signed and received by the Program Administrator within 5 days of the Assessment Contract Date. If Financing Documents are printed for signature, all signed documents must be notarized. Below is a list of the Financing Documents that will be provided:

Financing Documents Provided

1. Welcome Letter (with Property Owner Handbook link)
2. Financing Application & Disclosure
3. Assessment Contract
4. Financing Estimate and Disclosures
5. Notice of Right to Cancel
6. Electronic Record and Signature Disclosure (upon request)
7. Privacy Policy
8. Customer Verification PIN Requirement

Financing Documents to Return to the Program

1. Signed Financing Application & Disclosure
2. Signed Assessment Contract
3. Signed Financing Estimate and Disclosures
4. Acknowledged Notice of Right to Cancel
5. Customer Verification PIN Requirement

If you or any of the other Property Owners fail to sign and submit Financing Documents by the required date, new Financing Documents may need to be issued. Reissuance of Financing Documents may impact the length of time remaining for installation, result in a new interest rate, and/or change other fees.

Conditional Approval

In certain situations, an application may be conditionally approved subject to confirmation of information provided by the Property Owner on their application and/or receipt of additional information or documentation by the Program Administrator. If your project is conditionally approved, we will issue financing documents but reserve the right to cancel the conditional approval and may not issue the final approval in the form of a Notice to Proceed if further review indicates that any program requirements for financing are not satisfied. If all conditions are met and confirmed, the Program Administrator will issue the Notice to Proceed, notifying you that project installation can begin. Your Participating Contractor should not begin installation of your project prior to receiving the Notice to Proceed.

4.6 Notice to Proceed and Installation of Eligible Products

After Financing Documents are signed and returned, you and your Participating Contractor will receive a Notice to Proceed, which indicates that you may begin your project. Your Participating Contractor should not begin installation of your project prior to receiving the Notice to Proceed. The Notice to Proceed will indicate the time by which all Eligible Products must be installed and payment requested. Eligible projects will have a 150-day period to install products.

A Completion Certificate will also be sent with the Notice to Proceed. You must complete and return the Completion Certificate after the project has been installed by your Participating Contractor prior to the Expiration Date in order to receive funding.

You and your Participating Contractor are responsible for attaining all necessary approvals from a homeowners' association and/or historical review board regarding the installation of Eligible Products, as applicable to the Property.

If the approval period expires, the Property Owner may be required to submit a new application and may be subject to a new interest rate.

The Sponsor, the purchasers of bonds from the Sponsor, and the Program Administrator do not endorse contractors who register with the Program, any other person involved with the installed products, or the design of the products, or warrant the economic value, energy savings, safety, durability or reliability of the Eligible Products.

Building Permits and Inspection

You and your Participating Contractor are responsible for obtaining building permits and completing final inspections by the appropriate city or county Building Department. You and your Participating Contractors are also responsible for ensuring that your Eligible Products have met all other applicable federal, state and local laws and regulations. You should speak with your Participating Contractor to determine if your Eligible Products require a building permit and/or inspection and what requirements must be met.

4.7 Submit Completion Certificate

Once installation is complete, you must submit an executed Completion Certificate and all required attachments to the Program Administrator for approval by the Expiration Date.

The Completion Certificate must be submitted with the following documents:

1. Final invoice or contract from Participating Contractor which includes a detailed scope of work (including all financed products) and costs;
2. If required by the jurisdiction, a pulled permit from the appropriate city or county building department for all permitted Eligible Products or Custom Products.

The required attachments are listed on your Completion Certificate Instructions page. The Completion Certificate and required attachments may be submitted to the Program Administrator by fax, mail or via the electronic signature portal.

Assignment of Payment

Payment may be assigned to the contractor or designee.

Generation of New Financing Documents

New Financing Documents must be generated if the Completion Certificate indicates a final financing amount that exceeds the amount approved at application. All appropriate documents reflecting the new financing amount must be signed and a 3-day rescission period will be required prior to the Program Administrator generating a new Completion Certificate.

Right to Validate Products by Program Administrator

The Program Administrator reserves the right to perform independent on-site validation(s) of any Eligible Products financed through the Program at any time, including if permit inspections have already been completed. If a validation visit is required, the Program Administrator will schedule any such on-site validation visit with you.

Payment

The timing of payment is dependent on when the Completion Certificate and all other requirement documents are received and approved by the Program Administrator. Payment will be issued to your Participating Contractor or a payment designee as indicated on your final Completion Certificate. If payment is issued to the Contractor, we will issue payment within 2 business days of approving the Completion Certificate if payment is wired directly into the bank account account.

4.8 Record Lien on Property and Issue Payment

After receiving the executed Completion Certificate and associated documents, the Program Administrator will record the Assessment lien documents on your Property with the county, issue bonds and disburse payment.

4.9 Add Assessment to Property Taxes

The Assessment and a notice of assessment will be recorded with the county and appear along with interest and administrative expenses on your property tax bill for the duration of the Term.

Annual Assessment Obligation Payments on Property Tax Bill

You must be able to pay the agreed-upon Total Assessment Obligations regardless of a change in personal financial circumstances, the condition of the Property, or the condition of the newly installed Eligible Products. As with other property taxes, failure to pay the Total Assessment Obligations will result in penalties, interest and, eventually, foreclosure of the Property by the Sponsor or the county tax collector.

Recordation of the Assessment lien on the Property will establish a continuing annual lien. As with other property taxes, you may pay the entire annual amount due on the date the first installment is due or you may pay in two installments on the dates the installments are due.

Under California law, property taxes and assessments typically stay with the Property when it is sold. However, if you attempt to refinance your Property once the Assessment lien is recorded on the Property, your lender may require that you pay off the entirety of the Assessment prior to granting approval of your refinancing. Similarly, if you wish to sell your Property after the Assessment lien is recorded, the purchaser's mortgage lender may require that the Assessment be paid off in full prior to granting approval of a new mortgage to the purchaser for your Property. You should consult your lenders at the time of refinance or sale of the Property to determine whether your Assessment will need to be paid in full. In addition, by law, you must provide notice of the Assessment to a buyer prior to sale of the Property.

If you use an impound account to pay your taxes, you should contact your lender to increase monthly impound payments by an amount equal to the total Annual Assessment Obligation divided by 12 months.

The Annual Assessment Obligation will be based on the Project Amount, Upfront Costs, the effective Interest Rate of the Program, and Estimated Administrative Fees. Estimated amounts will be specified in the Assessment Contract and in the Financing Statement.

5 Product Installation Requirements

5.1 Contractor Sign-Up

All contractors who install Eligible Products under the Program must sign-up with CaliforniaFIRST in order to become a Participating Contractor.

To be eligible as a Participating Contractor in the Program, contractors must be licensed by the State of California and in good standing with the CSLB, meet all applicable bonding and insurance requirements, and meet any fraud check requirements, and agree to the terms and conditions of a Program. All contractors must meet the requirements outlined here:

<https://renewfund.secure.force.com/apply/resource/1482564616000/ContractorEnrollmentRequirement>

When a contractor is accepted into the CaliforniaFIRST Program, it is required that he/she agrees to abide by all Program terms and conditions as listed in the Contractor Participation Agreement and comply with all policies and procedures outlined in any handbook or other policy document Renew Financial provides to Participating Contractors, each as amended from time to time, including:

- pulling permits as required by the local building department,
- obtaining approval of proposed Eligible Products,
- installing Eligible Products that meet the required eligibility specifications,
- obtaining a business license in each jurisdiction where the contractor does Program-financed work, and
- only installing Eligible Products for which he/she has the correct contractor's license.

If your contractor is interested in being part of the Program but has not yet become a Participating Contractor, please have him or her call CaliforniaFIRST at the Contractor Registration contact information provided in Section 1.2 or visit www.renewfinancial.com.

5.2 Building Permits and Inspection

You and your Participating Contractor are responsible for obtaining building permits and completing final inspections by the appropriate city or county Building Department. You and your Participating Contractors are also responsible for ensuring that your Eligible Products have met all other applicable federal, state and local laws and regulations. You should speak with your Participating Contractor to determine if your Eligible Products require a building permit and/or inspection and what requirements must be met.

5.3 Fraudulent Activity

Any misrepresentations made in connection with the Program in the application, the Participating Contractor's bid, or any other document at any time while you are participating in the may result in a denied application, a notification that any installed Eligible Products will be at your expense, or a legal proceeding, civil or criminal, to recover any fraudulently obtained funds, or other legal action.

5.4 Required Documents

Required documents must be submitted at different steps in the Program process. For a list of required documents which must be submitted and when they need to be submitted, please see Section 4, Program Process.

6 Dispute Resolution

You, the Sponsor and the Program Administrator shall attempt in good faith to promptly resolve any dispute arising out of or relating to any Assessment Contract under the Program. Any party must give the other parties written notice of any dispute. Within 30 calendar days after delivery of the notice to the Program Administrator address or email per Section 1.2, you and the Sponsor and/or the Program Administrator shall have a meeting, and shall attempt to resolve the dispute. If the matter has not been resolved within 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. You and the Sponsor are required to continue to perform the obligations under the Assessment Contract pending final resolution of any dispute arising out of or relating to the Assessment Contract.

Dispute resolution will follow a similar process if you wish to dispute decision(s) made by the Program Administrator on behalf of the Sponsor, but have not signed a formal Assessment Contract. Written notice must be sent to the Program address identified in Section 1.2. 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 30 calendar days after delivery of the notice, you, the Sponsor and the Program Administrator shall attempt to resolve the dispute. The Program Administrator on behalf of the Sponsor shall render a final written decision in 30 calendar days and send that decision to you.

7 Appendices

Appendix A: Other Useful Resources

California Solar Initiative (Go Solar California)	The California Solar Initiative (CSI) is the solar rebate program for California consumers that are customers of the investor-owned utilities.	http://www.gosolarcalifornia.ca.gov/contacts/consumers.php
Contractors State License Board	The Contractors State License Board (CSLB) protects consumers by licensing and regulating California's construction industry.	www.cslb.ca.gov CLSB License Check check Contractor's License Status 1 (800) 321-CSLB (2752)
Federal Tax Credits	Information page about federal tax credits available for energy efficiency and renewable energy improvements.	www.energysavers.gov/financial/70010.html
State and Local Rebates	See your local utility company information above. See also, Energy Upgrade California to search for rebates by zip code.	See local utility company information above. See also Energy Upgrade California, https://energyupgradeca.org/
Energy Star	Energy Star is a government-backed program helping businesses and individuals protect the environment through superior energy efficiency. Energy Star provides energy efficiency standards, qualified and labeled energy efficiency products and recommended installation methods, among other things.	www.energystar.gov Energy Star Hotline for specific questions about specific products (888) 782-7937
Building Performance Institute	BPI is a national standards development and credentialing organization for residential energy efficiency retrofit work – providing training through a network of training affiliate organizations, individual certifications, company accreditations and quality assurance programs.	www.bpi.org (877) 274-1274
California Building Performance Contractors Association	CBPCA is a non-profit 501c-6 trade association that develops, trains and promotes whole house energy-efficient retrofitting for contractors and professionals in the building performance industry. BPI and HERS training and certification are available.	http://thebpcpa.org/ (510) 433-5042
CalCERTS	CalCERTS is an approved California Energy Commission (CEC) Home Energy Rating System (HERS) Provider. CalCERTS, Inc. is a private organization that provides service, support, training and certification to HERS raters.	https://www.calcerts.com/ (877) 437-7787
Title 24 Hot Line	The Title 24 Hotline is provided by the California Energy Commission and is intended to help contractors and others interpret and understand the rules in California's Title 24 regulations for new construction of and retrofitting of residential and commercial buildings.	http://www.energy.ca.gov/efficiency/contacts.html (800) 772-3300 Mon.-Fri. 8AM – 12 PM, 1 PM – 4:30 PM

Appendix B: Program Forms and Documents

Samples of Program documents can be found at [the following links](#):

Sample CaliforniaFIRST Financing Documents

<https://renewfinancial.box.com/v/cafirst-fin-docsh>

Sample Notice to Proceed

<https://renewfinancial.box.com/v/cafirst-ntp>

Sample Completion Certificate

<https://renewfinancial.box.com/v/cafirst-comp-cert>

Contractor Participation Agreement

<https://renewfund.secure.force.com/apply/resource/1482564616000/ContractorEnrollmentRequirements>

Appendix C: Eligible Products List

Eligible Product List

All product specifications and installation quality must meet or exceed applicable local and state permitting, codes and health and safety standards. CaliforniaFIRST requires permits for many of the products below if required by the local jurisdiction. All products must be installed per manufacturer's specifications. All products must be permanently installed and remain at the property upon sale or transfer.

Product Category	Product Type	Eligibility Criteria	Pulled Permit Needed?	Max Term
Drought Tolerant Landscaping	Artificial Turf	Product must be water-permeable.	No	15
Drought Tolerant Landscaping	Hardscape	Impervious hardscape must be installed so that entire surface drains to one of the following: a. Bioretention Basin with a surface area of the Basin must be at least 4% of the area draining to it. b. Dry Well or Infiltration Basin with a volume of at least 50 gallons (6.8 cubic feet) per 100 sq ft of the area draining to it. Financed amount cannot include the cost of plants. Product is not eligible in Los Angeles County.	No	20
Drought Tolerant Landscaping	Permeable Ground Cover	Product must be water-permeable. The following products are eligible: Decomposed granite, Pavers and patio stones with a minimum of 1/4" joint spacing, Gravel/rock/boulders/stone, Artificial Turf underlayment. (Plants and biodegradable material are not eligible.) Product depth must be at least 2".	No	20
Electric Vehicle Charging Station	Electric Vehicle Charging Station	Product must be a Level 2 charger with SAE J1772 standard charging plug.	Yes	10
Fuel Cells	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).	Yes	10
HVAC	Air-Source Heat Pump*	Product must comply with Title 24.	Yes	15
HVAC	Attic Fan*	Product must have a thermostat control.	No	15
HVAC	Boiler*	Product must comply with Title 24.	Yes	20
HVAC	Ceiling Fan*	Product must comply with Title 24.	No	10
HVAC	Central Air Conditioner*	Product must comply with Title 24.	Yes	15
HVAC	Duct Insulation*	Product must comply with Title 24.	No	20
HVAC	Duct Replacement*	Product must comply with Title 24.	No	20
HVAC	Duct Sealing*	Product must comply with Title 24.	No	20
HVAC	Ductless Mini-Split*	Product must comply with Title 24.	Yes	15
HVAC	Ductless Mini-Split Air Conditioner*	Product must comply with Title 24.	Yes	15
HVAC	Energy Recovery Ventilation (ERV) System	Product must be certified by the Home Ventilating Institute (HVI).	No	15
HVAC	Evaporative Cooler*	Product must comply with Title 24. Product must be permanently affixed to the home.	No	15
HVAC	Furnace*	Product must comply with Title 24.	Yes	20
HVAC	Gas Fireplace*	Product must comply with Title 24.	Yes	20
HVAC	Geothermal Heat Pump*	Product must comply with Title 24.	Yes	20
HVAC	Heat Recovery Ventilation (HRV) System	Product must be certified by the Home Ventilating Institute (HVI).	No	15
HVAC	Heating and Air Conditioning Package Unit*	Product must comply with Title 24.	Yes	15
HVAC	Pellet Stove or Insert*	Product must be on the List of EPA Certified Wood Stoves.	No	20
HVAC	Programmable Thermostat*	Product must comply with Title 24.	No	15
HVAC	Radiant Heating*	Product must comply with Title 24.	Yes	15
HVAC	Ventilating Fans	Product must comply with Title 24.	No	10
HVAC	Whole House Fan*	Product must comply with Title 24.	No	20
Indoor Water Efficiency	High-Efficiency Faucet Fitting	Product must comply with Title 24. Product is not eligible in WRCOG.	No	15
Indoor Water Efficiency	High-Efficiency Showerhead	Product must comply with Title 24. Product is not eligible in WRCOG.	No	15

Eligible Product List

Indoor Water Efficiency	Toilets	Product must comply with Title 24. Product is not eligible in WRCOG.	No	25
Indoor Water Efficiency	Urinal	Product must comply with Title 24.	No	20
Indoor Water Efficiency	Water Delivery Systems	Product must meet the definition of one of the following water delivery options: Dedicated Recirculation Line, Whole House Manifold System, Demand-initiated Recirculating System, Core Plumbing System. Installation cannot include any work on the wastewater system or the city main.	Yes	25
Insulation and Air Sealing	Air Sealing	Product must comply with Title 24.	No	20
Insulation and Air Sealing	Attic Insulation	Product must comply with Title 24.	No	25
Insulation and Air Sealing	Floor Insulation	Product must comply with Title 24.	No	25
Insulation and Air Sealing	Foam Insulation - Attic or Roof	Product must comply with Title 24.	No	25
Insulation and Air Sealing	Wall Insulation	Product must comply with Title 24.	No	25
Lighting	Indoor Lighting Fixtures	Product must comply with Title 24 or use LED technology.	No	20
Lighting	Lighting Control	Product must comply with Title 24.	No	20
Lighting	Outdoor Lighting Fixtures	Product must comply with Title 24 or use LED technology. Product is not eligible in WRCOG.	No	20
Outdoor Water Efficiency	Drip Irrigation	Product must be installed in turf, garden, planter, or flowerbed areas.	No	10
Outdoor Water Efficiency	Greywater Systems	N/A	Yes	15
Outdoor Water Efficiency	Rainwater Catchment Systems	Product must comply with SoCal WaterSmart Program Guidelines.	No	20
Outdoor Water Efficiency	Rotating Sprinkler Control	Product must comply with SoCal WaterSmart Program Guidelines. Product is not eligible in WRCOG.	No	10
Outdoor Water Efficiency	Weather-Based Irrigation Control Systems	Product must be WaterSense Certified.	No	10
Pool Equipment	Automatic Pool Covers	Product must be automatic.	No	10
Pool Equipment	Gas Pool Heater	Product must comply with Title 24.	Yes	10
Pool Equipment	Heat Pump Pool Heater	Product must comply with Title 24.	Yes	10
Pool Equipment	Pool Filter	Product must be a cartridge pool filter. Product is not eligible in Los Angeles County or WRCOG.	No	5
Pool Equipment	Pool Pump and Motor	Product must comply with Title 24.	No	10
Roofing and Siding	Air Space Above Roof Deck	Air space must be at least 1 inch between top of roof deck and bottom of roofing product. Product must be installed with Cool Roof - Performance	No	25
Roofing and Siding	Cool Roof - Performance	One of the following supporting products must be installed in order to be eligible: Eligible Attic Insulation is installed, Eligible Duct Replacement is installed, Eligible Duct Sealing and Duct Insulation is completed, Eligible Radiant Barrier is installed, Eligible Air Space Above Roof Deck is installed, Eligible Insulation Above Roof Deck is installed.	Yes	25
Roofing and Siding	Cool Roof - Prescriptive	Product must comply with Title 24 criteria for cool roofs in ALL climate zones.	Yes	25
Roofing and Siding	Exterior Coating	Product must have solar reflectance ≥ 0.5 as tested by third-party laboratory using ASTM C1549-09 test method. Product color must be listed on the Renew Financial Exterior Coating Pre-Approval List. Product is not eligible in CSCDA or WRCOG.	No	20
Roofing and Siding	Insulated Siding	One of the following performance criteria must be met to be eligible: The siding includes an insulated backing with R-value ≥ 2 , OR Insulation with R-value ≥ 2 is installed beneath the siding.	No	25
Roofing and Siding	Insulation Above Roof Deck	Insulation with R-value ≥ 2 must be installed between top of roof deck and bottom of roofing product. Product must be installed with Cool Roof - Performance.	No	25
Roofing and Siding	Radiant Barrier	Product must comply with Title 24.	No	25
Safety and Resiliency	Seismic Retrofit	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.	Yes	25

Eligible Product List

Solar Photovoltaic	Solar Array - PPA	Product must be on California Solar Initiative Eligible Products list. Product is not eligible in Los Angeles County.	Final Inspection Card	20
Solar Photovoltaic	Solar Array	Product must be on California Solar Initiative Eligible Products list. If in WRCOG, product must be installed with monitoring. 30-year term is not available in Los Angeles County, unincorporated Sacramento County, or the City of Chula Vista.	Final Inspection Card	30
Solar Thermal	Solar Pool Heating	System must have OG-100 System Certification by Solar Rating and Certification Corporation (SRCC).	No	15
Solar Thermal	Solar Water Heating	Product must comply with Title 24.	Yes	15
Storage	Advanced Energy Storage Systems	Product must meet the eligibility requirements outlined in the current California Self-Generation Incentive Program (SGIP) Handbook.	Yes	10
Water Heating	Electric Heat Pump Tank Water Heater	Product must comply with Title 24.	Yes	10
Water Heating	Electric Tankless Water Heater	Product must comply with Title 24. Product is only eligible in WRCOG.	Yes	10
Water Heating	Gas Storage Tank Water Heater	Product must comply with Title 24.	Yes	10
Water Heating	Gas Tankless Water Heater	Product must comply with Title 24.	Yes	20
Water Heating	Hot Water Tank Insulation	Product must comply with Title 24.	No	10
Water Heating	Pipe Insulation - Hot Water	Product must comply with Title 24.	No	10
Water Heating	Water Heat Recovery	Heat exchanger must transfer waste heat from drain to hot water tank or hot water delivery system.	No	25
Water Heating	Water Softener	Product must be a central cation-exchange water softener. (Descalers, water conditioners, and other water treatment products are not eligible.) Product is not eligible in Los Angeles County or WRCOG	No	20
Wind Energy	Small Wind Turbine	Product must meet the eligibility requirements outlined in the current California Self-Generation Incentive Program (SGIP) Handbook.	Yes	20
Windows and Doors	Applied Window Films	Product must be NFRC Certified.	No	10
Windows and Doors	Doors	Product must comply with Title 24.	Yes	25
Windows and Doors	Exterior Shade Products	Product must be permanently installed on the building exterior to shade at least one window or door. The following products are eligible: Awning, Exterior window Shade, Solar screen, Patio cover, Roof overhang. (Other exterior structural elements are not eligible.) In Los Angeles County, product must be installed on the West or South side of property. Product is not eligible in CSCDA or WRCOG.	No	15
Windows and Doors	Interior Window Treatment	Product must be permanently installed on the interior of a window or door. The following products are eligible: Blinds, Shades, Interior Shutters. (Draperies, Insulated Panels, Mesh Screens, and Storm Panels are not eligible.) Product is not eligible in Los Angeles County or WRCOG.	No	10
Windows and Doors	Skylights and Tubular Daylighting Devices	Product must comply with Title 24.	No	20
Windows and Doors	Windows	Product must comply with Title 24.	Yes	25
Enabling Work	Enabling Work*	Work must be installed on the property. Work must enable the installation of an eligible product. Total cost of Enabling Work cannot exceed \$10,000 and 25% of the total project cost. Product is not eligible in Los Angeles County or WRCOG.	No	5
Custom Product	Custom Product	Product must be approved by Program Administrator. Submissions can be entered here: https://renewfinancial.com/custom-product-request/	TBD	TBD

* Product is also available in the category "HVAC - Emergency". Projects that qualify for Emergency HVAC can receive an expedited Notice to Proceed. In order to qualify for Emergency HVAC, the project cost cannot exceed \$12,500, and the project may only include products in the category "HVAC – Emergency".

Appendix D: Participating Communities by County

Alameda

- Alameda
- Albany
- Berkeley
- Dublin
- Fremont
- Livermore
- Newark
- Oakland
- Piedmont
- Pleasanton
- San Leandro
- Union City
- Unincorp. County

Amador

- Ione

Butte

- Chico
- Oroville
- Paradise
- Unincorp. County

Contra Costa

- Antioch
- Brentwood
- Clayton
- Concord
- Danville
- El Cerrito
- Hercules
- Lafayette
- Martinez
- Moraga
- Oakley
- Pinole
- Pittsburg
- Pleasant Hill
- Richmond
- San Pablo
- San Ramon
- Walnut Creek
- Unincorp. County

El Dorado

- Placerville
- South Lake Tahoe
- Unincorp. County

Fresno

- Clovis
- Coalinga
- Firebaugh
- Fowler
- Fresno
- Huron
- Kerman

- Kingsburg
- Orange Cove
- Parlier
- Reedley
- San Joaquin
- Sanger
- Selma
- Unincorp. County

Glenn

- Orland
- Unincorp. County

Humboldt

- Arcata
- Blue Lake
- Eureka
- Fortuna
- Unincorp. County

Imperial

- El Centro
- Imperial
- Unincorp. County

Kern

- Arvin
- Ridgecrest
- Shafter
- Taft
- Wasco

Kings

- Corcoran
- Hanford
- Lemoore

Los Angeles

- Agoura Hills
- Alhambra
- Arcadia
- Artesia
- Avalon
- Azusa
- Baldwin Park
- Bell
- Bell Gardens
- Bellflower
- Beverly Hills
- Bradbury
- Burbank
- Calabasas
- Carson
- Cerritos
- Claremont
- Commerce
- Compton
- Covina
- Cudahy

- Culver City
- Diamond Bar
- Downey
- Duarte
- El Monte
- El Segundo
- Gardena
- Glendale
- Glendora
- Hawaiian Gardens
- Hawthorne
- Hermosa Beach
- Hidden Hills
- Huntington Park
- Industry
- Inglewood
- Irwindale
- La Canada-Flintridge
- La Habra Heights
- La Mirada
- La Verne
- La Puente
- Lakewood
- Lancaster
- Lawndale
- Lomita
- Long Beach
- Los Angeles
- Lynwood
- Malibu
- Manhattan Beach
- Maywood
- Monrovia
- Montebello
- Monterey Park
- Norwalk
- Palmdale
- Palos Verdes Estates
- Paramount
- Pasadena
- Pico Rivera
- Pomona
- Rancho Palos Verdes
- Redondo Beach
- Rolling Hills
- Rolling Hills Estates
- Rosemead
- San Dimas
- San Fernando
- San Gabriel
- San Marino
- **Los Angeles (cont.)**
- Santa Clarita

- Santa Fe Springs
- Santa Monica
- Sierra Madre
- Signal Hill
- South El Monte
- South Gate
- South Pasadena
- Temple City
- Torrance
- Walnut
- West Covina
- West Hollywood
- Westlake Village
- Whittier
- Unincorporated County

Madera

- Madera
- Unincorp. County

Marin

- Belvedere
- Corte Madera
- Fairfax
- Larkspur
- Mill Valley
- Novato
- Ross
- San Anselmo
- San Rafael
- Sausalito
- Tiburon
- Unincorp. County

Mariposa

- Unincorp. County

Mendocino

- Fort Bragg
- Point Arena
- Ukiah
- Unincorp. County

Merced

- Atwater
- Gustine
- Los Banos
- Unincorp. County

Mono

- Unincorp. County

Monterey

- Carmel-By-The-Sea
- Del Rey Oaks
- Gonzales
- Greenfield
- King City
- Marina
- Monterey
- Pacific Grove
- Salinas
- Sand City

- Seaside
- Soledad
- Unincorp. County

Napa

- American Canyon
- Calistoga
- Napa
- St. Helena
- Yountville
- Unincorp. County

Nevada

- Nevada City
- Truckee

Orange

- Aliso Viejo
- Anaheim
- Brea
- Buena Park
- Costa Mesa
- Fountain Valley
- Garden Grove
- Huntington Beach
- La Habra
- Laguna Beach
- Laguna Hills
- Lake Forest
- Mission Viejo
- Newport Beach
- San Clemente
- Santa Ana
- Stanton
- Tustin
- Westminster

Riverside

- Banning*
- Beaumont
- Blythe
- Calimesa*
- Canyon Lake*
- Cathedral City
- Coachella
- Corona*
- Desert Hot Springs
- Eastvale*
- Hemet*
- Indian Wells
- Indio
- Jurupa Valley*
- La Quinta
- Lake Elsinore*
- Menifee*
- Moreno Valley
- Murrieta*
- Norco*
- Palm Desert
- Palm Springs

- Perris*
- Rancho Mirage
- Riverside
- San Jacinto
- Temecula*
- Wildomar*
- Unincorp. County

Sacramento

- Citrus Heights
- Elk Grove
- Galt
- Rancho Cordova
- Sacramento
- Unincorp. County

San Benito

- Hollister
- San Juan Bautista
- Unincorp. County

San Bernardino

- Adelanto
- Apple Valley
- Barstow
- Big Bear Lake
- Chino
- Chino Hills
- Colton
- Fontana
- Hesperia
- Highland
- Montclair
- Ontario
- Rancho Cucamonga
- Redlands
- Rialto
- San Bernardino
- Twentynine Palms
- Upland
- Victorville
- Yucca Valley
- Unincorp. County

San Diego

- Carlsbad
- Chula Vista
- Coronado
- Del Mar
- El Cajon
- Encinitas
- Escondido
- Imperial Beach
- La Mesa
- Lemon Grove
- National City
- Oceanside
- Poway
- **San Diego (cont.)**
- San Diego

- San Marcos
- Santee
- Solana Beach
- Vista
- Unincorp. County
- San Francisco**
- San Francisco
- San Joaquin**
- Lodi
- Manteca
- Stockton
- Tracy
- Unincorp. County
- San Luis Obispo**
- Arroyo Grande
- Atascadero
- El Paso De Robles
- Grover Beach
- Morro Bay
- Pismo Beach
- San Luis Obispo
- Unincorp. County
- San Mateo**
- Atherton
- Belmont
- Brisbane
- Burlingame
- Colma
- Daly City
- East Palo Alto
- Foster City
- Half Moon Bay
- Hillsborough
- Menlo Park
- Millbrae
- Pacifica
- Portola Valley
- Redwood City
- San Bruno
- San Carlos
- San Mateo
- South San Francisco
- Woodside
- Unincorp. County

- Santa Barbara**
- Lompoc
- Santa Barbara
- Santa Clara**
- Campbell
- Cupertino
- Gilroy
- Los Altos
- Los Altos Hills
- Los Gatos
- Milpitas
- Monte Sereno
- Morgan Hill
- Mountain View
- Palo Alto
- San Jose
- Santa Clara
- Saratoga
- Sunnyvale
- Santa Cruz**
- Capitola
- Santa Cruz
- Scotts Valley
- Watsonville
- Unincorp. County
- Shasta**
- Anderson
- Redding
- Unincorp. County
- Siskiyou**
- Mount Shasta
- Yreka
- Solano**
- Benicia
- Dixon
- Fairfield
- Suisun City
- Vacaville
- Vallejo
- Unincorp. County
- Sonoma**
- Cloverdale
- Cotati
- Healdsburg

- Petaluma
- Rohnert Park
- Sebastopol
- Sonoma
- Windsor
- Unincorp. County
- Stanislaus**
- Ceres
- Hughson
- Modesto
- Newman
- Turlock
- Waterford
- Sutter**
- Live Oak
- Yuba City
- Tulare**
- Lindsay
- Porterville
- Tulare
- Visalia
- Unincorp. County
- Ventura**
- Camarillo
- Fillmore
- Moorpark
- Ojai
- Oxnard
- Port Hueneme
- San Buenaventura
- Santa Paula
- Simi Valley
- Thousand Oaks
- Unincorp. County
- Yolo**
- Davis
- West Sacramento
- Winters
- Woodland
- Unincorp. County
- Yuba**
- Unincorp. County

*These participating areas are part of the Western Riverside Council of Governments (WRCOG)

Appendix E: Additional Underwriting Criteria

For properties within the City of **Chula Vista** only:

- No current involuntary liens and/or judgments for all Property Owner(s)
- Property Owner(s) must be current on all subject Property-secured debt and have no more than 1 30-day late payment in the last 36 months
- Total Maximum Assessment amount per Property cannot exceed 95% of the value of the Property when combined with other debts or obligations secured by the Property.
- No project may be financed for longer than 25 years

For properties within the unincorporated area of **Contra Costa County** only:

- Property Owner(s) must be current on their property taxes and have no late payments in the last 3 years, or since the Property Owner(s) acquired the property
- Property Owner(s) must not currently be in bankruptcy proceedings, and must not have any bankruptcies released, discharged, or dismissed in the last 3 years. If a bankruptcy has been released, discharged, or dismissed in the last 3 to 7 years, then the Property Owner(s) must have no payments more than 30 days past due in the last 12 months.
- Total Maximum Assessment amount per Property cannot exceed 95% of the value of the Property when combined with other debts or obligations secured by the Property.

For properties within the City of **San Diego** only:

- No current involuntary liens and/or judgments for all Property Owner(s)
- Property Owner(s) must be current on all subject Property-secured debt and have no 30-day late payments in the last 24 months.
- Property Owner(s) must not currently be in bankruptcy proceedings, and must not have any bankruptcies released, discharged, or dismissed in the last 7 years.
- Total Maximum Assessment amount per Property cannot exceed 95% of the value of the Property when combined with other debts or obligations secured by the Property.

For properties within the unincorporated area of **Sacramento County** only:

- Property Owner(s) must be current on their property taxes and have no late payments in the last 3 years, or since the Property Owner(s) acquired the property
- Property Owner(s) must not currently be in bankruptcy proceedings, and must not have any bankruptcies released, discharged, or dismissed in the last 3 years. If a bankruptcy has been released, discharged, or dismissed in the last 3 to 7 years, then the Property Owner(s) must have no payments more than 30 days past due in the last 12 months.
- Property Owner(s) must have at least 10% equity in the Property (mortgage-related debt is no more than 90% of the value of the Property)
- No project may be financed for longer than 25 years

For properties within **Los Angeles County** only:

- Property Owner(s) must have at least 10% equity in the Property (mortgage-related debt is no more than 90% of the value of the Property)
- No project may be financed for longer than 25 years

Appendix F: Program Interest Rates and Financing Terms

Note that All interest rates and fees are subject to change. Interest rates and fees for an Assessment are set at the time that Financing Documents (see Section 4.5) are issued

Term	CSCDA	WRCOG	Los Angeles County
30	8.49%	8.49%	N/A
25	8.39%	8.39%	8.39%
20	8.29%	8.29%	8.29%
15	7.99%	7.99%	7.99%
10	7.59%	7.59%	7.59%
5	6.75%	6.75%	6.75%

Exhibit 27

RECORDING REQUESTED BY AND

WHEN RECORDED MAIL TO

Internal Services Department
LA County HERO Program Manager
1100 N. Eastern Avenue #200
Los Angeles, CA 90063

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

(This is a voluntary contractual assessment lien pursuant to Streets & Highways Code §5898.30 and recorded pursuant to Sts. & Hy. Code §5898.32. This Notice of Assessment does not create an involuntary lien within the meaning of Government Code §27297.5)

**NOTICE OF ASSESSMENT
AND
PAYMENT OF CONTRACTUAL ASSESSMENT REQUIRED
COUNTY OF LOS ANGELES
LOS ANGELES COUNTY ENERGY PROGRAM
(LA HERO PROGRAM)**

Pursuant to the requirements of Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code, as amended, commencing with Section 5898.10 (the "Act"), including without limitation Sections 5898.24(d) and 5898.32 of the Act, and in furtherance of Section 1102.6b of the California Civil Code, the County of Los Angeles (the "County"), State of California, hereby provides notice of the levy and collection by the County of a contractual assessment under the LA HERO Program (the "Program"), established and authorized pursuant to the Act.

The Board of Supervisors of the County (the "Board of Supervisors") approved a report (the "Program Report"), on May 25, 2010, and as amended from time to time, prepared by the Internal Services Department, in accordance with Sections 5898.22 and 5898.23 of the Act, established the Program to be implemented as provided in the Program Report, confirmed that voluntary contractual assessments may be levied against parcels within the jurisdictions of the cities within the County participating in the Program and the unincorporated area of the County (the "Program Area") within the parameters of the Program Report to finance certain distributed generation renewable energy sources, energy or water efficiency improvements, or electrical vehicle charging infrastructure (the "Improvements").

Pursuant to the requirements of Sections 5898.24(d) and 5898.32 of the Act, the undersigned Authorized Officer of the County, at the direction of such Board of Supervisors, HEREBY GIVES NOTICE that pursuant to Chapter 29 and the Program Report, as initially approved and as amended to date, that:

1. **Record Owners and Legal Description of Property.** The County and [REDACTED] the record owner(s) (the "Record Owners") of the real property described on Exhibit "A" to this Notice, attached hereto and incorporated herein by reference (the "Property") have entered into an assessment contract with the County (the "Assessment Contract"), a copy of which is contained in Exhibit "C" to this Notice, attached and incorporated herein by this reference. Pursuant

[REDACTED]

to the Assessment Contract and the Act, the Record Owners have requested and voluntarily agreed to the County's imposition of a contractual assessment against the Property (the "Contractual Assessment"), which is generally collected by the County of Los Angeles, on behalf of the County, through the consolidated property tax bill.

2. Purpose for Which Funds Will Be Used. The funds from the Contractual Assessment will finance the acquisition and construction and/or installation on the Property of the renewable energy system(s), energy efficiency and/or water efficiency improvement(s) that are permanently affixed to the Property and identified in the Assessment Contract.

3. Total and Annual Amount of Contractual Assessment. Pursuant to the Assessment Contract, the County is making or will make a disbursement in the principal amount not to exceed \$55,300.00 (the "Disbursement") to finance the acquisition and installation and/or construction on the Property of the Improvements identified in the Assessment Contract. Pursuant to the Assessment Contract, the Record Owners agree that the property is subject to an assessment levied against the Property pursuant to Chapter 29 in the principal amount of the Disbursement, together with fees and capitalized interest thereon, for a total Contractual Assessment in the amount of \$60,177.59 as set forth in the payment schedule on Exhibit "B" attached hereto.

4. Expiration of the Contractual Assessment. So long as the Assessment is unpaid, the Record Owners agree that the Property is subject to an annual administrative assessment levied against the Property to pay costs of the County which result from the administration and collection of the Assessment and from the administration or registration of any associated bonds or other financing arrangement, as described in the Program Report, and from the administration of any reserve fund and other related funds (the "Annual Administrative Assessment"). The Annual Administrative Assessment shall not exceed the amount authorized pursuant to the HERO Residential Program Handbook.

NOTICE IS FURTHER GIVEN that upon the recording of this notice in the office of the County Recorder, the Assessment shall become a lien upon the Property. In addition, the Annual Administrative Assessment shall become a lien upon the Property at the same time as the property taxes upon the Property become a lien each year.

The specific contact information for the County and more information regarding the Contractual Assessment may be obtained from the County of Los Angeles Internal Services Department, LA County HERO Program Manager at 1100 N. Eastern Avenue, #200, Los Angeles, CA 90063 (address), tel: (323) 267-2816.

Date of Assessment: 04/15/2016

COUNTY OF LOS ANGELES

By: 
Authorized Officer

EXHIBIT A

[REDACTED]

ID of Property owners + Desc.



EXHIBIT "B"

**SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS, INCLUDING
PRINCIPAL, INTEREST AND THE ANNUAL ASSESSMENT ADMINISTRATIVE FEE**

Tax Year	Principal	Interest	Total Principal and Interest	Current Annual Assessment Administrative Fee**	Total Annual Assessment Installment
2016-2017	\$1,264.89	\$5,024.83	\$6,289.72	\$35.00	\$6,324.72
2017-2018	1,370.51	4,919.21	6,289.72	35.00	6,324.72
2018-2019	1,484.95	4,804.77	6,289.72	35.00	6,324.72
2019-2020	1,608.94	4,680.78	6,289.72	35.00	6,324.72
2020-2021	1,743.29	4,546.43	6,289.72	35.00	6,324.72
2021-2022	1,888.85	4,400.87	6,289.72	35.00	6,324.72
2022-2023	2,046.57	4,243.15	6,289.72	35.00	6,324.72
2023-2024	2,217.46	4,072.26	6,289.72	35.00	6,324.72
2024-2025	2,402.62	3,887.10	6,289.72	35.00	6,324.72
2025-2026	2,603.23	3,686.49	6,289.72	35.00	6,324.72
2026-2027	2,820.60	3,469.12	6,289.72	35.00	6,324.72
2027-2028	3,056.12	3,233.60	6,289.72	35.00	6,324.72
2028-2029	3,311.31	2,978.41	6,289.72	35.00	6,324.72
2029-2030	3,587.81	2,701.91	6,289.72	35.00	6,324.72
2030-2031	3,887.39	2,402.33	6,289.72	35.00	6,324.72
2031-2032	4,211.98	2,077.74	6,289.72	35.00	6,324.72
2032-2033	4,563.68	1,726.04	6,289.72	35.00	6,324.72
2033-2034	4,944.75	1,344.97	6,289.72	35.00	6,324.72
2034-2035	5,357.64	932.08	6,289.72	35.00	6,324.72
2035-2036	5,805.00	484.72	6,289.72	35.00	6,324.72

**Subject to increase pursuant to the Assessment Contract.

[REDACTED]

EXHIBIT C

LA HERO Program ASSESSMENT CONTRACT (RESIDENTIAL)

This Assessment Contract (this "Contract") is made and entered into as of this 6th day of April, 2016, by and between the County of Los Angeles, a political subdivision of the State of California (the "County"), and the record owner(s), [REDACTED] (the "Property Owner"), of the fee title to the real property identified on Exhibit A (the "Property").

RECITALS

WHEREAS, the County is a political subdivision of the State of California; and

WHEREAS, the County has established the LA HERO Program (the "HERO Program") to allow for the financing of certain renewable energy, energy efficiency and water efficiency improvements and electric vehicle charging infrastructure 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 Sections 8500 and following) (the "1915 Act") upon the security of the unpaid contractual assessments; and

WHEREAS, Chapter 29 provides that assessments may be levied under its provisions 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; and

WHEREAS, the Property is located in within the unincorporated boundaries of the County or the boundaries of the City identified in Exhibit A hereto (the County or such City, as applicable, the "Participating Entity") that has resolved to participate in the HERO Program, and the Participating Entity has consented to (i) owners of property within its jurisdiction participating in the HERO Program and (ii) the County conducting assessment proceedings under Chapter 29 and issuing bonds under the 1915 Act to finance Authorized Improvements; and

WHEREAS, pursuant to Chapter 29, the County and the Property Owner wish to enter into a contract pursuant to which the Property Owner would freely and willingly agree and consent to pay an assessment in order to finance the installation on the Property of the Authorized Improvements described in Exhibit A (the "Improvements") and the County would agree to provide financing, all on the terms set forth in this Contract;

NOW, THEREFORE, in consideration of the foregoing and the material covenants contained in the Contract, including the other Contract Documents specified in Exhibit B hereto, the Property Owner and the County formally covenant, agree and bind themselves and their successors and assigns as follows:



AGREEMENT

Section 1. Purpose. The Property Owner and the County are entering into this Contract for the purpose of financing the installation of the Improvements identified on Exhibit A on the Property. The County will not finance installation of Improvements other than those listed on Exhibit A.

Section 2. The Property. This Contract relates to the real property identified on Exhibit A. The Property Owner has supplied to the County current evidence of its ownership of fee title to the Property and possesses all legal authority necessary to execute this Contract on behalf of the Property Owner.

Section 3. Contract to Pay Assessment; Prepayment

(a) **Payment of Assessment.** The Property Owner hereby freely and willingly agrees to pay the "Assessment," the amount of which shall be determined as provided in Section 3(b) below. The County will not provide financing in an amount in excess of the Assessment.

Except as otherwise set forth in this Contract, the Assessment will be paid in the installments set forth in Exhibit B.

Interest will accrue on the Assessment at the interest rate set forth on Exhibit B beginning on the date on which the County issues bonds to finance the installation of the Improvements.

(b) **The Assessment.** The Assessment shall equal the total amount disbursed by the County to pay for (i) the Improvements identified on Exhibit A, plus (ii) all costs, fees and interest associated therewith as reflected on Exhibit B, which total amount is also known as the Actual Disbursement Amount (defined below). In no event, however, will the amount disbursed by the County exceed the Maximum Disbursement Amount set forth in Exhibit B.

Exhibit B sets forth an Estimated Disbursement Amount, which is based upon the price of the initially selected Improvements identified in Exhibit A, which in turn provides the basis for calculating the associated costs, fees and interest appearing on Exhibit B.

Upon receipt of the fully executed and final Completion Certificate (as described in the LA HERO Program Handbook, Version 1.1, dated August 2015, Section 7.6 referred to herein as the "Handbook") the County shall calculate and disburse payments to those entitled to receive them (the "Actual Disbursement Amount") hereunder. If at any time after executing this Contract but before the County pays the Actual Disbursement Amount, the Property Owner changes the Improvements to be installed from those originally appearing on Exhibit A, but (i) the Improvement categories and the Improvement types do not change from those originally selected, and (ii) the "Revised Estimated Disbursement Amount" (which means the amount anticipated to be the Actual Disbursement Amount based on the changed Improvements) is less than or equal to the Estimated Disbursement Amount, the parties do not need to execute the Addendum described in Section 4 below, and this Contract shall remain unmodified and the Assessment shall be calculated as described above in this Section 3(b). If, however, any such change meets the provisions of Section 4 below, then an Addendum will be required.

(c) **Administrative Expenses.** The Property Owner hereby acknowledges and agrees that the County may add amounts to an annual installment of the Assessment in order to pay for the costs of collecting the Assessment (the "Annual Administrative Assessment").

[REDACTED]

(d) Prepayment of the Assessment. The Assessment may be prepaid, in whole or in any amount of at least \$2,500, at any time upon the payment of (i) the whole or a portion of the unpaid principal component of the Assessment, (ii) and interest on the Assessment Prepayment Amount to the second business day of the second month following the date the prepayment is made.

(e) Absolute Obligation. The Property Owner hereby agrees that the Assessment will not be subject to reduction, offset or credit of any kind in the event that the bond or bonds secured thereby are refunded or for any other reason.

Section 4. Addendum. The parties agree to execute an addendum to this Contract (the "Addendum") if at any time after executing this Contract but before the Actual Disbursement Amount is released for disbursement: (i) the Improvement categories or the Improvement types change from those appearing in Exhibit A; (ii) the Revised Estimated Disbursement Amount is greater than the Estimated Disbursement Amount but does not exceed the Maximum Disbursement Amount; or (iii) it becomes necessary to correct the name, capacity, title, party or clerical errors identified therein. In any such case, the County, or the HERO Program on behalf of the County, shall prepare an Addendum: (i) setting forth an accurate description of the Improvements installed; (ii) confirming that the Assessment does not exceed the Maximum Disbursement Amount; and (iii) as necessary, correcting the names, capacities, titles, parties and other clerical corrections appearing in the original documentation comprising this Contract. The County, or the HERO Program on behalf of the County, shall prepare and provide such Addendum to the Property Owner for review and signature. Once signed by the Property Owner, the County shall execute the Addendum, which shall become part of, and be incorporated into, this Contract as if it originally appeared therein.

Section 5. Collection of Assessment; Lien. The Assessment, the interest and penalties thereon as a result of a delinquency in the payment of any installment of the Assessment, and the Annual Administrative Assessment shall constitute a lien against the Property until they are paid and shall be collected and shall have the lien priority as set forth in Chapter 29.

The Property Owner acknowledges that if any Assessment installment is not paid when due, the County has the right to have such delinquent Assessment 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, if bonds are sold to finance the Improvements, the County may obligate itself, through a covenant with the owners of such bonds, to exercise its judicial foreclosure rights with respect to delinquent Assessment installments under circumstances specified in such covenant.

Section 6. Financing of the Improvements.

(a) Contract to Finance Improvements. The County hereby agrees to use the Assessment, together with the Annual Administrative Assessment, to finance the Improvements, including the payment of the County's reasonable costs of administering the HERO Program, subject to the Property Owner's compliance with the conditions for such financing established by the County.

(b) Assessment Installments. The Property Owner agrees to the issuance of bonds by the County to finance the installation of the Improvements. The interest rate used to calculate the Assessment Installments is set forth on Exhibit B. If the applicable interest rate on the Bonds issued to finance installation of the Improvements, or the actual cost of the Improvements disbursed by the County, is less than the corresponding terms shown on Exhibit B, then, concurrently with the disbursement of

[REDACTED]

funds to the Property Owner, the County shall provide the Property Owner with a schedule of annual Assessment Installments, in the form of a Final Payment Summary, which shall determine the Assessment Installment obligations applicable to the Property.

Section 7. Multiple Contractors and Improvements. Notwithstanding anything to the contrary in this Contract, if the Property Owner engages one or more contractors (each, a "Contractor," which term includes any designee thereof) to install more than one Improvement, the installation of which Improvements will not be completed simultaneously, the Property Owner and the County agree as follows:

- (a) Upon receipt of the initial Completion Certificate from a Contractor and the Property Owner (the "First Installation Completion Certificate") acknowledging installation of the first type or category of Improvements, then:
 - i. The County shall cause all instruments, documents and agreements described in Section 9 of this Contract to be recorded;
 - ii. The County shall cause bonds to be issued and sold in the amount equal to the Actual Disbursement Amount deposited with such municipal trustee;
 - iii. The County shall cause the amount reflected in the First Installation Completion Certificate to be disbursed to the Contractor who installed such Improvements; and
 - iv. The County shall cause all administrative, recording and other fees described on line 5 of the "Schedule of Estimated Maximum Annual Assessment Installments" set forth in Exhibit B to be paid.
- (b) Upon receipt of a subsequent Completion Certificate from the Property Owner and the Contractor (each, a "Subsequent Installation(s) Completion Certificate") acknowledging installation of the subsequent types or categories of Improvements, the County shall cause the municipal trustee for the Program to disburse amount(s) reflected in each such Subsequent Installation Completion Certificate to the Contractor who installed such Improvements.
- (c) Upon receipt of the final Completion Certificate from the Contractor and the Property Owner (the "Final Installation Completion Certificate") acknowledging installation of the final types or categories of Improvements, then:
 - i. The County shall cause the amount reflected in such Final Installation Completion Certificate to be disbursed to the Contractor who installed such Improvements (the "Final Disbursement"); provided, however, that:
 - 1. If the remaining balance of the Actual Disbursement Amount deposited with the municipal trustee following such Final Disbursement is \$100 or more, the County shall cause such excess to be applied to the reduction of the outstanding balance of the Assessment determined in accordance with Sections 3 and 4 of this Contract; or
 - 2. If the remaining balance of the Actual Disbursement Amount deposited with the municipal trustee following such Final Disbursement is less than \$100, the County shall cause such excess to be applied to the payment of administrative expenses; or
 - 3. If such remaining balance of the Actual Disbursement Amount deposited with the municipal trustee is less than the amount reflected in the Final Installation Completion Certificate, the Property Owner shall be individually responsible for paying such difference to the applicable Contractor, and



- such payment shall be excluded from the Assessment under this Contract.
- (d) If for any reason any one or more of the categories or types of Improvements planned to be installed under this Section 7 is not installed by the expiration date reflected in the Notice to Proceed, then the County shall have the option to declare the financing of the Improvements complete, in which case the municipal trustee shall be notified to apply any remaining balance of the Actual Disbursement Amount held by such municipal trustee to reduce the Property Owner's outstanding Assessment.

Section 8. Term: Contract Runs with the Land: Subdivision.

- (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) In the event the Property is subdivided while the Assessment remains unpaid, the Assessment will be assigned to the newly-created parcel on which the Improvements are located. If the Improvements no longer exist, the Assessment will be assigned to each of the newly-created parcels on a per-acre basis, unless the County, in its sole discretion, determines that the Assessment should be allocated in an alternate manner.

Section 9. Recordation of Documents. The Property Owner hereby authorizes and directs the County to 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 10. Property Transfers, Notice, and Acknowledgment. To the extent required by applicable law, the Property Owner hereby agrees to provide written notice of the obligation to pay the Assessment pursuant to this Contract to any subsequent purchaser or transferee of the Property or any interest therein, including any subdivision of the Property, at or before the time of sale or transfer of the Property.

Property Owner acknowledges that the Assessment and obligation to pay the Assessment pursuant to this Contract runs with the land and, upon sale or transfer of the Property or any interest therein, any subsequent owner or transferee shall be required to pay the Assessment pursuant to this Contract. If a subsequent owner or transferee fails to pay the Assessment pursuant to this Contract, then the provisions of this Contract, including Section 5, shall apply to the subsequent owner or transferee's interest in the Property to the extent permitted by law. Property Owner further acknowledges that a subsequent purchaser or transferee, or any interested party to the sale or transfer (such as the lender) may require as a condition of sale or transfer that the Assessment be paid in full prior to such sale or transfer.

Section 11. Waivers, Acknowledgment and Contract. Because this Contract reflects the Property Owner's free and willing consent to pay the Assessment following a noticed public hearing, 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.

[REDACTED]

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 County undertaken in connection with the HERO 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 Owner will be responsible for payment of the Assessment regardless of whether the Improvements are properly installed, operated or maintained as expected.

The Property Owner hereby agrees that the County is entering into this Contract solely for the purpose of assisting the Property Owner with the financing of the installation of the Improvements, and that the County and the Participating Entity have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of the Improvements. Based upon the foregoing, the Property Owner hereby waives the right to recover from and fully and irrevocably releases the County, the Participating Entity and any and all agents, employees, attorneys, representatives and successors and assigns of the County 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 County, the Participating Entity and any and all agents, employees, attorneys, representatives and successors and assigns of the County or the Participating Entity.

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, the Property Owner agrees to waive the provisions of Section 1542 in connection with the matters that are the subject of the foregoing waivers and releases.

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Initials:	Initials:		

The waivers, releases and agreements set forth in this Section 11 shall survive termination of this Contract.

Section 12. Indemnification. The Property Owner agrees to indemnify, defend, protect, and hold harmless the County, the Participating Entity and any and all agents, employees, attorneys,

representatives and successors and assigns of the County 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 HERO 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.

The provisions of this Section 12 shall survive the termination of this Contract.

Section 13. Right to Inspect Property. The Property Owner hereby grants the County, 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 County, its agents and representatives the right to examine and copy any documentation relating to the Improvements.

Section 14. Carbon Credits. The Property Owner hereby agrees that any carbon credits attributable to the Improvements shall be owned by the County.

Section 15. HERO Program Application. The Property Owner hereby represents and warrants to the County that the information set forth in the HERO Program Application submitted to the County in connection with its request for financing is true and correct as of the date hereof, and that the representations set forth in the HERO 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 16. Amendment. Except as set forth in Section 3(b) or as provided for in Exhibit A pertaining to a fully executed and final Completion Certificate, this Contract may be modified only by an Addendum (as provided in Section 4) or other written agreement of the County and the Property Owner.

Section 17. Binding Effect; Assignment. This Contract inures to the benefit of and is binding upon the County, the Property Owner and their respective successors and assigns. The County has the right to assign any or all of its rights and obligations under this Contract without the consent of the Property Owner. The obligation to pay the Assessment set forth in this Contract is an obligation of the Property and no agreement or action of the Property Owner will be competent to impair in any way the County'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.

Section 18. 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 19. 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 20. Corrective Instruments. The County and the Property Owner agree that they will, 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 21. Governing Law: Venue. This Contract is governed by and construed in accordance with the laws of the State of California. Any legal action brought under this Contract, including without limitation, actions to foreclose delinquent installments of the Assessment, must be instituted in the Superior Court of the County of Los Angeles, State of California.

Section 22. Existing Instruments. Property Owner acknowledges that entry by the Property Owner into this Contract without the consent of an existing lender could constitute an event of default under existing mortgage(s) agreements or other security instruments ("Existing Instruments") and that defaulting under an Existing Instrument could have serious consequences to the Property Owner, which could include the acceleration of the repayment obligations due under such instrument. Property Owner further acknowledges Fannie Mae and Freddie Mac, the owner of a significant portion of all home mortgages, have stated that they will not purchase home loans with assessments such as those Assessment created pursuant to this Contract and that property owners who sell or refinance their properties may be required to prepay such assessments at the time they close their sale or refinancing.

Section 23. 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 24. Monitoring and Recording of Telephone Calls. The HERO Program may monitor and/or record telephone calls for security and customer service purposes. By executing this Contract the Property Owner agrees to have their telephone calls with the HERO Program monitored and/or recorded.

Section 25. Contract Documents. Property Owner understands and acknowledges that the entire agreement between Property Owner and the County includes each and every document specified in the List of Documents contained in Exhibit B to this Contract (together, the "Contract Documents").

By executing this Contract Property Owner acknowledges and agrees that:

- a. 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 to the County that the Property Owner may have regarding such Contract Documents.
- b. Property Owner has reviewed, understands and agrees to each and every additional requirement and term contained in Appendix B to the LA HERO Program Handbook (the "Handbook").
- c. Property Owner has reviewed, understands, agrees to and affirms each and every representation and warranty contained in the Property Owner's application and the Handbook.

Prior to executing this Assessment Contract, I/we, as the Property Owner, have read and understand the Property Owner's Acknowledgments and Disclosures contained in (a) the Application, (b) this Contract, (c) the Privacy Notice and (d) the Handbook.

Property Owner(s) must execute and return this Contract to the County at the address set forth in the "Notice Information" section of Exhibit A hereto so that it is received by the County not later than 04/16/2016. If the Property Owner fails to return the signed Contract to the County by the indicated date the HERO Program reserves the right to require the Property Owner to enter into a new Contract. All signatures of the Property Owner must be notarized by a duly licensed notary unless the Property Owner has previously successfully completed the identity verification process approved by the County.

IN WITNESS WHEREOF, the County 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.

Owner 1:

DocuSigned by:
[Redacted]
E26750588DDA4C1...

Date: 4/6/2016
Month/Day/Year

Identity Verification Code:
ID verification complete

Owner 2:

DocuSigned by:
[Redacted]
58B0AAEFD7B6442...

Date: 4/6/2016
Month/Day/Year

Identity Verification Code:
ID verification complete

COUNTY OF LOS ANGELES: Authorized Representative:

Timothy Cunningham

Name (Please Print)

DocuSigned by:
Timothy Cunningham
3A1A9C4DBAA44AE...

4/6/2016

County of Los Angeles Signature Date of Execution by County of Los Angeles



EXHIBIT A

DESCRIPTION OF PROPERTY, DESCRIPTION OF THE PRODUCTS, AND NOTICE INFORMATION

Description of Property:

Property Owner Name(s): [Redacted]

Property Address: [Redacted]

APN: [Redacted]

Participating Entity: City of Carson

Description of Products:

The Products include the following:

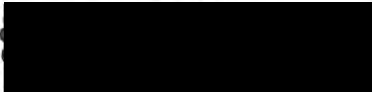
PRODUCT #1	
Product Category Type:	Building Envelope - Heat Reflective/Cool Wall Coverings
PRODUCT #2	
Product Category Type:	Windows, Doors, and Skylights - Exterior Windows
PRODUCT #3	
Product Category Type:	Windows, Doors, and Skylights - Exterior Doors

Or similar energy efficiency or water efficiency product, as applicable, which is authorized under the Handbook.

All terms set forth in the fully executed and final Completion Certificate shall supersede and take precedence over any term in this Exhibit A that conflicts with, is not covered by, or is otherwise contrary to, the terms set forth in such Completion Certificate, and such Completion Certificate shall become part of, and be incorporated into, this Exhibit A as if they originally appeared therein.

Notice Information:

Internal Services Department
LA County HERO Program Manager
1100 N Eastern Ave # 200
Los Angeles, CA 90063



[REDACTED]

[REDACTED]

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:

The Contract shall consist of the following documents:

- This Contract and the exhibits hereto;
- Any Addendum entered into pursuant to Section 4 hereto;
- The Property Owner Application;
- The Right to Cancel;
- The Completion Certificate or, pursuant to Section 7, each applicable Completion Certificate;
- The Assessment Cost and Payment Summary;
- The Notice of Assessment;
- The Payment of Contractual Assessment Required;
- The LA HERO Program Handbook, Version 1.1, dated August 2015; and
- The HERO Program website located at <https://www.heroprogram.com>.

Disbursement Amounts:

The "Maximum Disbursement Amount" under this Contract is \$68,483.00, which means that the County shall not disburse any amount that exceeds this figure.

The "Estimated Disbursement Amount" under this Contract is \$50,347.28, which was based upon the Improvements and pricing set forth on the table below in this Exhibit B. The Estimated Disbursement Date is June 15, 2016, which date is used in the table below.

Schedule of Estimated Maximum Annual Assessment Installments:

The schedule of the estimated maximum Annual Assessment Installments is based on the following assumptions:

1. The County disburses the Estimated Disbursement Amount on the Estimated Disbursement Date.
2. Interest totaling a maximum of \$1,704.95 will accumulate until the Property Owner's first payment. That amount will be added to Property Owner's Estimated Disbursement Amount.
3. The Assessment Interest Rate is 8.35%.
4. The Annual Percentage Rate (APR) of Property Owner's Assessment is 9.38%. APR is the annual interest rate Property Owner will actually pay on Property Owner's Assessment, including fees required in order to participate in the HERO Program.
5. The total administrative fees, recording fees and annual assessment added to Property Owner's Assessment is \$2,642.33.

Tax Year (commencing July 1)	Interest	Principal	Total Assessment	Current Annual Administrative Assessment Fee ¹	Total Estimated Contractual Assessment Payment
2016 - 2017*	\$4,204.00	\$1,058.26	\$5,262.26	\$35.00	\$5,297.26
2017 - 2018	\$4,115.63	\$1,146.63	\$5,262.26	\$35.00	\$5,297.26
2018 - 2019	\$4,019.89	\$1,242.37	\$5,262.26	\$35.00	\$5,297.26
2019 - 2020	\$3,916.15	\$1,346.11	\$5,262.26	\$35.00	\$5,297.26
2020 - 2021	\$3,803.75	\$1,458.51	\$5,262.26	\$35.00	\$5,297.26
2021 - 2022	\$3,681.96	\$1,580.30	\$5,262.26	\$35.00	\$5,297.26
2022 - 2023	\$3,550.01	\$1,712.25	\$5,262.26	\$35.00	\$5,297.26
2023 - 2024	\$3,407.04	\$1,855.22	\$5,262.26	\$35.00	\$5,297.26
2024 - 2025	\$3,252.12	\$2,010.14	\$5,262.26	\$35.00	\$5,297.26
2025 - 2026	\$3,084.28	\$2,177.98	\$5,262.26	\$35.00	\$5,297.26
2026 - 2027	\$2,902.42	\$2,359.84	\$5,262.26	\$35.00	\$5,297.26
2027 - 2028	\$2,705.37	\$2,556.89	\$5,262.26	\$35.00	\$5,297.26
2028 - 2029	\$2,491.87	\$2,770.39	\$5,262.26	\$35.00	\$5,297.26
2029 - 2030	\$2,260.54	\$3,001.72	\$5,262.26	\$35.00	\$5,297.26
2030 - 2031	\$2,009.90	\$3,252.36	\$5,262.26	\$35.00	\$5,297.26
2031 - 2032	\$1,738.32	\$3,523.94	\$5,262.26	\$35.00	\$5,297.26
2032 - 2033	\$1,444.08	\$3,818.18	\$5,262.26	\$35.00	\$5,297.26
2033 - 2034	\$1,125.26	\$4,137.00	\$5,262.26	\$35.00	\$5,297.26
2034 - 2035	\$779.82	\$4,482.44	\$5,262.26	\$35.00	\$5,297.26
2035 - 2036	\$405.53	\$4,856.75	\$5,262.26	\$35.00	\$5,297.26

*The Estimated Initial Tax Year shown on preceding schedule is based upon the Estimated Disbursement Date. The actual Initial Tax Year will be based upon the actual Disbursement Date.

**** Subject to change

FOLLOWING THE DISBURSEMENT OF THE ACTUAL DISBURSEMENT AMOUNT, THE HERO PROGRAM ADMINISTRATOR WILL ADJUST THE ASSESSMENT AND THE ESTIMATED MAXIMUM ANNUAL ASSESSMENT INSTALLMENTS, IF NECESSARY, TO REFLECT THE ACTUAL ASSESSMENT BASED UPON THE ACTUAL DISBURSEMENT AMOUNT, THE ACTUAL DATE OF DISBURSEMENT AND THE ACTUAL AMOUNT OF INTEREST DUE AND PAYABLE BEFORE THE FIRST PAYMENT ADDED TO THE ACTUAL DISBURSEMENT AMOUNT. THE ACTUAL AMOUNT OF THE ASSESSMENT AND SCHEDULE OF ANNUAL ASSESSMENT INSTALLMENTS SHALL BE SPECIFIED IN THE "PAYMENT OF CONTRACTUAL ASSESSMENT REQUIRED" TO BE RECORDED BY THE COUNTY IN THE OFFICE OF THE COUNTY RECORDER.

Prepayment:

You have a right to pay off your assessment lien amount at any time in full, or in any amount of at least \$2,500 pursuant to Section 3(d) of the Assessment Contract. However, if you do so, you will have to pay the principal amount of the assessment to be prepaid ("Assessment Prepayment Amount") and interest on the Assessment Prepayment Amount to the second business day of the second month following the date the prepayment is made.

LA HERO 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 County of Los Angeles, a political subdivision of the State of California (the "County") and [REDACTED] entered into on the Effective Date (defined within the Assessment Contract) (the "Contract") that conflicts with, is not covered by, or is otherwise contrary to, the terms set forth herein and (ii) shall become part of, and be incorporated into, the Contract as if such terms originally appeared therein. For the avoidance of doubt, name, capacity, title, party and clerical corrections appearing below in this Addendum shall become part of, and be incorporated into, the Contract as if they originally appeared therein. For purposes of this Addendum, "Exhibit A" and "Exhibit B" refer to Exhibits A and B, respectively, within the Contract.

RECITALS:

WHEREAS, the County and Property Owner have executed the Contract to finance the Improvements installed or to be installed at the Property; and

WHEREAS, (i) the Improvements, Improvement types, and/or Improvement categories appearing in Exhibit A differ from those appearing in this Addendum, and/or (ii) the Estimated Disbursement Amount appearing in this Addendum is greater than the Estimated Disbursement Amount 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 Improvements and Improvement Amounts appearing in this Addendum shall replace the Improvements and Improvement Amounts listed in Exhibit A, and shall become part of, and incorporated into, Exhibit A as if they originally appeared herein.
 - b. The Revised Estimated Disbursement Amount listed in this Addendum shall replace the Estimated Disbursement Amount listed in Exhibit B, and shall become part of, and be incorporated into, Exhibit B as if it originally appeared therein.
 - c. The name, capacity, title, party and other clerical corrections (if any) appearing in the signature block of this Addendum 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 on and after the date hereof shall be deemed to refer to the Contract as amended by the Addendum.
4. Representations and Warranties.
 - a. (i) Property Owner hereby represents and warrants that the terms, conditions and information contained in this Addendum are true and correct, and (ii) the Property Owner affirmatively authorizes 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, are 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, after giving effect to this Addendum, shall remain in full force and effect and the Property Owner hereby ratifies the obligations of the Property Owner under the Contract.
5. Estimated Disbursement Amount. The Revised Estimated Disbursement Amount under this Contract is \$60,482.19, which is based upon the Improvements and pricing set forth in this Addendum. The Estimated Disbursement Date is June 15, 2016, which date is used in the table below.
6. Interest totaling a maximum of \$2,034.13 will accumulate until the Property Owner's first payment. Total administrative fees, recording fees, and annual assessment fee added to the Property Owner's Assessment is \$3,148.06.

Property Owner Information:

Date: 04/07/2016
 Property Owner: 
 Property Address: 
 HERO ID: RLA7196N
 Application Date: 01/11/2016
 Expiration Date: 06/15/2016
 APN: 

Summary:

Financing Term	Interest Rate	Annual Amount Added to Property Tax Bill
20 years	8.35%	\$6,356.56

Description of Improvements:

PRODUCT #1

Product Category Type:	Building Envelope - Heat Reflective/Cool Wall Coverings
PRODUCT #2	
Product Category Type:	Windows, Doors, and Skylights - Exterior Windows
PRODUCT #3	
Product Category Type:	Windows, Doors, and Skylights - Exterior Doors

Payment Schedule:

Tax Year (commencing July 1)	Interest	Principal	Total Assessment	Current Annual Administrative Assessment Fee ¹	Total Estimated Contractual Assessment Payment
2016 - 2017*	\$5,050.27	\$1,271.29	\$6,321.56	\$35.00	\$6,356.56
2017 - 2018	\$4,944.11	\$1,377.45	\$6,321.56	\$35.00	\$6,356.56
2018 - 2019	\$4,829.10	\$1,492.46	\$6,321.56	\$35.00	\$6,356.56
2019 - 2020	\$4,704.48	\$1,617.08	\$6,321.56	\$35.00	\$6,356.56
2020 - 2021	\$4,569.45	\$1,752.11	\$6,321.56	\$35.00	\$6,356.56
2021 - 2022	\$4,423.15	\$1,898.41	\$6,321.56	\$35.00	\$6,356.56
2022 - 2023	\$4,264.63	\$2,056.93	\$6,321.56	\$35.00	\$6,356.56
2023 - 2024	\$4,092.88	\$2,228.68	\$6,321.56	\$35.00	\$6,356.56
2024 - 2025	\$3,906.78	\$2,414.78	\$6,321.56	\$35.00	\$6,356.56
2025 - 2026	\$3,705.15	\$2,616.41	\$6,321.56	\$35.00	\$6,356.56
2026 - 2027	\$3,486.68	\$2,834.88	\$6,321.56	\$35.00	\$6,356.56
2027 - 2028	\$3,249.97	\$3,071.59	\$6,321.56	\$35.00	\$6,356.56
2028 - 2029	\$2,993.48	\$3,328.07	\$6,321.56	\$35.00	\$6,356.56
2029 - 2030	\$2,715.59	\$3,605.97	\$6,321.56	\$35.00	\$6,356.56
2030 - 2031	\$2,414.50	\$3,907.06	\$6,321.56	\$35.00	\$6,356.56
2031 - 2032	\$2,088.26	\$4,233.30	\$6,321.56	\$35.00	\$6,356.56
2032 - 2033	\$1,734.78	\$4,586.78	\$6,321.56	\$35.00	\$6,356.56
2033 - 2034	\$1,351.78	\$4,969.78	\$6,321.56	\$35.00	\$6,356.56
2034 - 2035	\$936.80	\$5,384.76	\$6,321.56	\$35.00	\$6,356.56
2035 - 2036	\$487.18	\$5,834.40	\$6,321.56	\$35.00	\$6,356.56

*The Estimated Initial Tax Year shown on the preceding schedule is based upon the Estimated Disbursement Date. The actual Initial Tax Year will be based upon the actual Disbursement Date.

**** Subject to change

All signatures of the Property Owner must be notarized by a duly licensed notary unless the Property Owner has previously, immediately prior to executing this Addendum No. 1, successfully completed the identity verification process approved by the County.



Owner 1:
DocuSigned by:
[Redacted]
7CC876ED6AC944B...

Date: 4/7/2016 **Identity Verification Code:**
Month/Day/Year [Redacted]

Owner 2:
DocuSigned by:
[Redacted]
44107903C51F48D...

Date: 4/7/2016 **Identity Verification Code:**
Month/Day/Year [Redacted]

County of Los Angeles: Authorized Representative:

Jessica Lindsey
Name (Please Print)

DocuSigned by:
Jessica Lindsey 4/7/2016
06A4888B0E844AC...

County of Los Angeles Signature Date of Execution by County of Los Angeles

This is a true and certified copy of the record
if it bears the seal, imprinted in purple ink,
of the Registrar-Recorder/County Clerk

FEB 13 2018

Deane L. Lujan REGISTRAR-RECORDER/COUNTY CLERK
LOS ANGELES COUNTY, CALIFORNIA

