



Residential Property Owner Program Handbook

Version 1.5 - August 2016

Contents

1. Introduction	4
1.1 Program Overview	4
1.2 Contacts	4
1.3 Call Center Hours	5
1.4 California Statewide Community Development Authority (“CSCDA”) Overview	5
1.5 Future Program Changes and Disclaimers	6
2. Program Eligibility Requirements	6
2.1 Eligible Property Types & Requirements	8
2.2 Property Owners	9
2.3 Eligible Products	10
2.4 Eligible Product Costs	11
2.5 Participating Eligible Contractors	12
2.6 Assessment Amounts	13
2.7 Assessment Terms	14
2.8 Rebates and Tax Credits	14
2.9 Number of Assessments	14
2.10 Fraudulent Activity	14
3. Financial Terms	14
3.1 Interest Rates	15
3.2 Assessment Costs	15
3.3 Annual Repayments	16
3.4 Prepayments and Re-amortization	16
4. Program Process	17
4.1 Process Overview	17
4.2 Application	17
4.3 Application Results	18
4.4 Financing Documents	18

PACE Funding Program Handbook

4.5	Installation	19
4.6	Payment Issued	20
4.7	Record Lien on Property	20
4.8	Assessment added to Property Taxes	20
5.	Additional Terms and Requirements	21
6.	Appendix	24
6.1	Glossary of Terms	24
6.2	Program Forms and Financing Documents	28
6.3	Eligible Communities	29
6.4	Eligible Products and Useful Life Schedule	29
6.4.1	Renewable & Alternative Energy Products	29
6.4.2	Energy Efficiency Products	33
6.5	Additional Requirements and Terms	41

1. Introduction

1.1 Program Overview

PACE Funding Group’s Property Assessed Clean Energy (“PACE”), Program, offered through the California Statewide Community Development Authority (“CSCDA or Program Sponsor”), is an innovative way for Property Owners to finance the installation of solar, energy efficiency, water efficiency, and electric vehicle charging infrastructure improvements to their homes (“Eligible Products”) as a way to reduce their energy and/or water usage which would lower their utility bill and carbon footprint.

Property Owners in participating cities and counties may borrow money through the PACE Funding Program (the “Program”) to finance Eligible Products. Participation in the Program is completely voluntary, requiring full consent of all owners on the property title. Property Owners agree to repay the amount financed over either a 5-, 10-, 15-, 20- or 25-year period dependent upon the expected useful life of the Eligible Products being financed. Property Owners repay the financing through semi-annual installments collected on their property taxes through an property tax assessment lien (“PACE Assessment”).

To see if your city or county is a Participating Community, please check the Program Website (www.pacefunding.com) or in Appendix 6.3 of this Handbook. Property Owners are required to be on the property title and meet all the eligibility requirements to qualify for financing.

1.2 Contacts

Program Sponsor - California Statewide Community Development Authority (CSCDA)

Phone	800 531-7476
Email	info@cscda.org
Address	1700 North Broadway, Suite 405 Walnut Creek, CA 94596
Website	www.cscda.org/Open-PACE

Program Administrator – PACE Funding Group

Program Phone	(844) USE-PACE
Program Email	contact@PACEFunding.com
Eligible Contractor Email	operations@PACEFunding.com
Address	100 Cooper Court Los Gatos, CA 95032
Website	www.pacefunding.com

1.3 Call Center Hours

Applications, Eligible Contractor and Program Information

Approved Contractors will initiate an application request and homeowners will receive a secured link to a web-based application form. Once submitted, the application will be underwritten and a decision will be rendered and communicated to the applicant(s). General questions about the Program can be answered by visiting <http://www.pacefunding.com> or by calling PACE Funding Group at (844) USE – PACE. Program call center hours are:

Monday – Friday: 6:00AM (PST) – 10:00PM (PST)

Saturday: 6:00AM (PST) – 6:00 PM (PST)

Sunday: 8:00AM (PST) – 4:00 PM (PST)

1.4 California Statewide Community Development Authority Overview

The California Statewide Communities Development Authority (“CSCDA”) was created in 1988, under California’s Joint Exercise of Powers Act, to provide California’s local governments with an effective tool for the timely financing of community-based public benefit projects.

Although cities, counties and special districts are able to issue their own debt obligations or serve as a conduit issuer of private activity bonds that promote economic development and provide critical community services, many local agencies find stand-alone financings too costly or lack the necessary resources or experience to facilitate the bond issuance and perform post-issuance activities for the term of the bonds. In response, CSCDA was created by and for local governments in California, and is sponsored by the California State Association of Counties and the League of California Cities.

Currently, more than 500 cities, counties and special districts have become Program Participants to CSCDA – which serves as their conduit issuer and provides access to an efficient mechanism to finance locally approved projects. CSCDA helps local governments build community infrastructure, provide affordable housing, create jobs, make access available to quality healthcare and education, and more. CSCDA provides an important resource to our local government members.

In 2015 CSCDA launched an Open PACE platform (“CSCDA Open PACE Program”), a turnkey resource for residential property owners to allow the financing of certain distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, seismic strengthening improvements, electric vehicle charging infrastructure and such other work, infrastructure or improvements as may be authorized by law from time to time that are permanently fixed to real property (the “Authorized Improvements”) through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the California Streets & Highways Code (“Chapter 29”) and the issuance of improvement

bonds under the Improvement Bond Act of 1915 (California Streets and Highways Code Section 8500 and following) (the “1915 Act”).

In the same year, CSCDA appointed PACE Funding Group LLC (“PACE Funding”) as a program administrator (“Program Administrator”). PACE Funding’s program is herein referred to as the “PACE Funding Program”. California cities and counties must be a member of CSCDA and adopt a resolution to opt-in to CSCDA Open PACE in order to participate. If your jurisdiction is interested in joining the program, please visit www.cscda.org/Open-PACE.

1.5 Future Program Changes and Disclaimers

The Program Administrator reserves their right to change the Program and its terms at any time; however, any such change will not affect a Property Owner’s existing Annual PACE Assessment Obligation agreed to in an executed PACE Assessment Contract.

All applicants **must** (and interested parties such as Eligible Contractors should) read the Handbook with a focus on the Section 5, Additional Terms and Requirements, which describes many of the legal issues associated with the Program, including the responsibilities and obligations of both participating Property Owners, Eligible Contractors, and the Program Administrator. **Applicants will be required to certify that they have read the Handbook as a precondition to participating in the Program.**

2. Program Eligibility Requirements

A summary of eligibility requirements is listed below with details on each requirement provided in sections 2.1 – 2.9. General questions about the Program can be answered by visiting the Program Website at www.pacefunding.com or calling the Program’s toll free hotline 1-844 USE – PACE.

PROPERTY

Property must be Residential and pay property taxes.

Property must be in a participating community.

New construction is not eligible unless a certificate of occupancy has been obtained.

Manufactured and mobile homes can be approved if permanent affixed to real property and if the mobile/manufactured homeowner also own the underlying land and pay real property taxes.

Properties within Homeowners Associations (“HOA”) are eligible, subject to HOA restrictions.

The Property must have at least 10% equity after all mortgage debt is considered (mortgage debt ≤ 90% of Property Value).

PACE Funding Program Handbook

Property is held in a trust or owned by another legal entity are eligible subject to the conditions contained herein.

The Property cannot have any current involuntary liens or judgments greater than \$1,000

The Property cannot be subject to any notices of default.

PROPERTY OWNERS

Applicant(s) must be the owner(s) of record of the subject property.

All Property Owners must sign all required documentation, including but not limited to the application, the Completion Certificate and the PACE Assessment Contract with all other required Financing Documents.

All debt secured by the subject property must be current and not more than thirty days past due for the twelve (12) months prior to application date (or since purchase if owned for less than 12 months).

Property taxes must be current. Property Owner(s) must certify that property taxes have not been paid late more than once during the prior 3 years (or since purchase if owned by them for less than 12 months).

The subject property may not be subject to any default.

No Property Owner has had any active bankruptcies within the past 7 years, provided, however, that this criterion can be met if the bankruptcy was discharged between two and seven years before the application date, and the homeowner(s) have had no payments (mortgage and non-mortgage) past due for more than 60 days in the most recent 24 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 Owners must be working with an approved Eligible Contractor, no self-installation is permitted.

ELIGIBLE PRODUCTS

Eligible Products are identified by the Eligible Products guidelines attached as Appendix 6.4.

All products and materials must be new; used, refurbished or remanufactured products are not eligible.

ELIGIBLE CONTRACTORS

Only Eligible Contractors that have been approved by a Program Administrator may complete Projects financed by the Program.

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

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

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

PACE ASSESSMENT AMOUNTS

The minimum PACE Assessment amount is five thousand dollars (\$5,000).

The Maximum Assessment amount is the lesser of two hundred thousand dollars (\$200,000) or up to 14.99%* of the Property Value. The combined amount financed under the program plus mortgage related debt may not exceed 100% of the Property Value.

The total annual property tax and PACE Assessment payments on a subject property may not exceed five percent (5%) of the subject property's market value.

The Term(s) cannot exceed the useful life of the Eligible Product.

*Note that 14.99% of Property Value is only available for first \$700K of the Property Value then 10% is applied.

2.1. Eligible Property Types & Requirements

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

Eligible Community

The Property must be located within a county or city that (a) is a member of CSCDA Open PACE and (b) is participating in the Program by adopting an authorizing resolution in compliance with applicable law. A current list of Participating Communities in the Program can be found at <http://www.pacefunding.com/community/>

New Construction

New construction is not eligible unless certificate of occupancy has been obtained.

Mobile & Manufactured Homes

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

Homeowners Associations

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

Equity Requirements

The subject property must have at least 10% equity after all mortgage-related debt is considered. In addition, the sum of all debt secured by the subject property, inclusive of the PACE financing and all involuntary liens as described herein, must not exceed 100% of the Property Value.

Properties held in Trusts and Corporate Entities

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

Liens

The subject property must not have any Federal, State, or involuntary liens with a balance greater than one thousand dollars (\$1,000). Prohibited liens do not include community facilities district assessments or other financing district liens placed on all properties in that particular financing district.

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

Bankruptcy

No homeowner Property Owner has had any active bankruptcies within the past 7 years, provided, however, that this criterion can be met if the bankruptcy was discharged between two and seven years before the application date, and the homeowner(s) have had no payments (mortgage and non-mortgage) past due for more than 60 days in the most recent 24 months.

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

Owner of Record

Applicant(s) must be the owner(s) of record according to the property's title records recorded with the Participating County.

Mortgage Status

All debt secured by the subject property must be current. Property Owner(s) cannot have had more than one mortgage payment 30 days late from 12 months prior to application through funding (or no late payments since the purchase of the Property if owned less than 12 months).

Property Tax Status

All property taxes for the assessed property must be current for the previous three years or since the current owner(s) acquired the Property, whichever period is shorter. The Property owner(s) must certify that property taxes have not been paid late more than once during the prior three years (or no late payments since the purchase of the Property if owned less than 12 months).

Approval

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

2.3 Eligible Products

The Program offers a way for Property Owners to finance the installation of solar, energy efficiency, water efficiency, and electric vehicle charging infrastructure that will be permanently fixed to property. The PACE Assessment Contract can be used to cover the cost of a Project to include but not limited to: products, materials, professional installation, analysis, design, drafting, engineering, permitting, inspections and fees. Neither the Installation Contract nor PACE Assessment can include products that are not eligible for PACE nor any labor charges that are not directly related to the installation of Eligible Products. The initial Eligible Products are identified by the initial Eligible Products and Useful Life Schedule attached as Appendix 6.4, and the Program Administrator may update the product eligibility guidelines and, accordingly, the list of Eligible Products authorized for financing from time to time. To be eligible the Project must meet the following criteria:

Approved Products

Products must be approved by the Program Administrator, and meet minimum energy production, energy efficiency, water conservation, water efficiency and/or other requirements. Product guidelines and eligibility criteria is attached as Appendix 6.4 and available on the Program website at <http://www.pacefunding.com/eligibleprojects.pdf>.

New Products and Custom Projects

Property Owners who would like to install a product that is not on the Eligible Product List can fill out and submit a New Product Application Form. This form is typically filled out by the Eligible Contractor. The Program will review the new product request and determine if the product meets necessary energy efficiency performance attributes, and business objectives of PACE Funding. A decision will be made by the Program to add the new product to the Eligible Product and Useful Life Schedule, not approve the new product, or consider it a Custom Project (defined below). All such decisions are made at the sole discretion of the Program Administrator.

A Custom Project is defined to be a one-time requirement whereby the circumstances are such that the Project (product included) passes the energy and/or water efficiency scrutiny in the specific case that is being requested. Approval of a Custom Project for one property will not be considered to establish a precedent that would necessarily be applied to other homes such that it should be considered a new product or placed on the Eligible Product schedule. The Program Administrator reserves the sole right to approve or disapprove of new products and Custom Projects.

No Used Products

All products and materials must be new. Used, refurbished or remanufactured products are not eligible for PACE financing.

Permanently Affixed

Eligible products must be permanently affixed to the subject property.

Third Party Transactions

The Program may be used in conjunction with third party transactions, including, but not limited to, leases and PPAs as long as such transactions do not require any further payment obligations to the PPA or lease provider by the home owner for the Term of the Assessment Contract. If the financing of the Eligible Products are structured through a power purchase agreement (“PPA”) or lease, the PPA or lease must be prepaid in whole, and include no further payment obligations to the PPA or lease provider by the Property Owner for the Term of the PACE Assessment Contract, and the power purchase agreement or lease must contain all of the following provisions:

- (a) The term of the power purchase agreement or lease is at least as long as the Term of the related Assessment Contract.
- (b) The owner of the attached system agrees to install, maintain, and monitor the system for the entire term of the power purchase agreement or lease.
- (c) The owner of the attached system is not permitted to remove the system prior to completion of the term of the assessment.
- (d) After installation, the power purchase agreement or lease is paid, either partially or in full, using the funds from the PACE Assessment.
- (e) The right to receive the electricity from the system, through a power purchase agreement or lease or the right to the system itself, is tied to the ownership of the Real Property and is required to be automatically transferred with the title to the Real Property whether the title is transferred by voluntary sale, judicial or nonjudicial foreclosure, or by any other means.
- (f) The power purchase agreement or lease identifies CSCDA as a third-party beneficiary of the power purchase agreement or lease until the assessment lien on the property has been fully paid and, only until that time, prohibits amendments to the power purchase agreement or lease without the consent of CSCDA.
- (g) In order to ensure that the Property Owner is guaranteed the electric power from the system for the length of the Assessment, the system shall not be removed if the owner of the attached

system is not performing its obligations under the contract, and the owner of the attached system does both of the following:

(A) Covenants in its contract with the Property Owner that neither the owner of the attached system nor any successor in interest will remove or permanently decommission the attached system during the term of the contract.

(B) Warrants in the contract with the Property Owner that no assignee, creditor, partner, or owner of the attached system's owner has, as of the date of the contract or during the remaining term of the contract, the right to remove or permanently decommission the attached system.

Installation

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

2.4 Eligible Product Costs

Eligible costs under the program include both the cost of eligible equipment and the installation costs. Installation costs may include, but aren't necessarily limited to, energy/water audit costs, appraisals, labor, design, drafting, engineering, permit fees, and inspection charges. The cost of installing Eligible Products must be reasonable and accomplished within industry guidelines. If the costs reflected in the Completion Certificate exceed industry guidelines, the Program Administrator has the right to refuse to finance any excessive costs and/or request additional documentation to determine the reasonableness of the Completion Certificate.

In addition to financing the eligible equipment and installation costs, this Program also finances the financing costs, referenced in section 3.2.

All available up-front federal, state, or utility rebates that are assignable to the Eligible Contractor must be deducted from the PACE Assessment amount at the time of financing. The Property Owner and the Eligible Contractor are responsible for notifying the Program of the qualification, award or grant of the Eligible Products for any such assignable rebates.

Performance-based incentives which are paid over time are not required to be deducted. State or federal tax credits and rebates that are not assignable to the Eligible Contractor are not required to be deducted

from the PACE Assessment amount; however, Property Owners may wish to consider these additional benefits in determining the amount of their financing request.

2.5 Participating Eligible Contractors

Eligible Contractors

Only Eligible Contractors that have been approved by the Program Administrator may complete Projects financed by the Program. New Eligible Contractors may apply to participate in the Program by contacting the Program Administrator and requesting a new Eligible Contractor application. Upon receiving a completed new Eligible Contractor application, the Program Administrator will review and determine if the Eligible Contractor meets the necessary criteria for Program eligibility. Approval or denial of a new Eligible Contractor shall be at the sole discretion of the Program Administrator.

For interest parties, please apply either via the hotline at (844) USE-PACE or visit the Program Website at <http://www.pacefunding.com/contractor.html>. Typical response time for approval of a complete application is 3-5 business days.

PROPERTY OWNERS ARE SOLELY RESPONSIBLE FOR SELECTING AND ENTERING INTO AN INSTALLATION CONTRACT WITH THE ELIGIBLE CONTRACTOR(S) TO WORK ON THE INSTALLATION OF THEIR PRODUCTS. THE PROGRAM AND THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENTS AND ASSIGNS DO NOT ENDORSE OR RECOMMEND ELIGIBLE CONTRACTORS WHO REGISTER WITH THE PROGRAM, NOR DO THEY GUARANTEE, WARRANTY OR OTHERWISE INSURE THE COMPLETION OF THE INSTALLATION OF THE ELIGIBLE PRODUCTS BY SUCH ELIGIBLE CONTRACTORS OR THE OPERATION OF THE ELIGIBLE PRODUCTS OR ANY OTHER PERSON INVOLVED WITH THE INSTALLED PRODUCTS, THE DESIGN OR MANUFACTURE OF SUCH PRODUCTS, OR THE ECONOMIC VALUE, ENERGY SAVINGS, SAFETY, DURABILITY OR RELIABILITY OF SUCH PRODUCTS.

In addition to meeting the Program Administrator's application requirements, an Eligible Contractor must meet the following minimum criteria to be register with a Program Administrator:

Good Standing

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

Qualified to Install

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

Installation Warranty

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

Quality Control

The Program Administrator may at their own discretion conduct quality control procedures to ensure that every Project financed by the Program meets the Program and Program Administrator's eligibility requirements.

Inspection

The Program Administrator reserves the right to schedule an on-site validation visit to confirm that the approved Eligible Product was fully and permanently installed either before or after Assessment proceeds have been dispersed.

2.6 PACE Assessment Amounts

Minimum PACE Assessment

The minimum PACE Assessment is five thousand dollars (\$5,000).

Maximum PACE Assessment

The maximum Assessment is equal to the lesser of up to 14.99% of the first \$700,000 of the market value of the collateral property and 10% of the remaining market value of the property above \$700,000, up to a maximum Assessment of \$200,000.

The contractual PACE Assessment, real property tax and any other special assessments must be less than 15% of the market value of the property.

The Property must have at least 10% equity after all mortgage debt is considered.

The combined Assessment plus the property's mortgage related debt must not exceed 100% of the market value of the property. However, in the event a municipality has a more conservative limitation, then the Maximum Assessment will be no greater than the requirements imposed by the municipality.

The total annual real 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.

Determination of Property Value

The value of the property will be the market value based on an automated valuation model ("AVM") provided by a third party independent vendor selected by the Program. If an AVM value is not available for a particular property, the Program will use the Assessed Value unless the Property Owner can provide an appraisal prepared by a licensed appraiser with a date of value not older than 6 months for the date of application. In addition, if a Property Owner disagrees with the AVM value, the Property Owner may

choose to pay for an appraisal from a licensed appraiser approved by the Program Administrator and the Program Administrator will review the appraisal and provide a determination at its sole discretion, which shall be final, whether such appraised value may be used for eligibility calculations.

2.7 PACE Assessment Terms

The Program offers flexible financing Terms from five (5) to twenty-five (25) years. The financing Term may not exceed the useful life of the installed Eligible Product. The Program Administrator at its sole discretion determines the useful life and maximum financing term offered for each PACE Assessment, which is set forth in Appendix 6.4, and may be changed from time to time. If the Eligible Products used have a different useful life, the useful life that is applicable to the greatest percentage of the Project will pertain.

2.8 Rebates and Tax Credits

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

2.9 Number of PACE Assessments

Property Owner(s) may apply for multiple PACE Assessments under the Program for the same property, or another Property, provided that the sum of all PACE Assessments for that particular property meet all Program guidelines described herein, including but not limited to maximum PACE Assessment amounts.

2.10 Fraudulent Activity

Any misrepresentations made to the Program in the application, the Installation Contract or any other document at any time during the Program may cause the Property Owner and/or the Eligible Contractor to be terminated from the Program and may result in legal action. For example, such misrepresentation may, in the sole discretion of the Program, result in a denial of an application, a notification that any installed Eligible Products will be ineligible to be financed by the Program, or a legal proceeding, civil or criminal, to recover any fraudulently obtained funds.

3. Financial Terms

Below are the costs associated with the PACE Assessment. All Interest Rates and fees are subject to change. Interest rates and fees for a PACE Assessment are set at the time that Financing Documents 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 PACE Assessment. The new contract may have a different Interest Rate and costs.

3.1 Interest Rates

The Interest Rate on the PACE Assessment is set at the sole discretion of the Program Administrator. The final Interest Rate will be established in the Financing Documents. The Interest Rates will remain fixed for the entire term of the PACE Assessment.

Interest before First Payment

An amount equal to the interest between the Funding Date and the first payment date (“Capitalized Interest”) will be added to the Principal balance of the PACE Assessment.

Based on the Funding Date of your PACE Assessment Contract, payments on your assessment may not be due until the following tax year. Capitalized Interest is the amount of interest that is added to the PACE Assessment amount for the period prior to when the first PACE Assessment installment payment is made. The amount of Capitalized Interest will be included on your Financing Documents.

3.2 PACE Assessment Costs

Application

There are no costs to apply for the Program.

Program Origination Fee

A Program Origination Fee is a one-time fee that can be financed or paid by the Property Owner(s). The Program Origination Fee covers the cost of issuing the bonds. The Program Origination Fee is identified on the Program Website and included in the Financing Documents.

Lien Recording Fee

The Lien Recording Fee is a one-time fee used to record the recording documents at the county recorder’s office. The estimated Lien Recording Fee is identified on the Program Website with the actual county Lien Recording Fee included in the Financing Documents.

Annual Ongoing Administrative Fee

The annual ongoing administrative fee is an annual fee for ongoing administrative expenses incurred by the Program in connection with collecting PACE Assessments and the administration and management of the Program. The amount of such fee, if any, will be provided in the Financing Documents.

Loan Loss Reserve Fund

The Program Administrator requires Property Owner(s) to finance a one-time fee into a reserve fund or account, which would be used to pay debt service on a related series of bonds in the event of PACE Assessment Contract installment delinquencies.

Foreclosure Expense Reserve Fund

The Program Administrator requires Property Owner(s) to finance a one-time fee into a foreclosure expense reserve fund or account, which would be used to pay expenses on a related series of bonds in the event of foreclosure.

Refinancing Expenses

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

Additional Fees

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

3.3 Annual Repayments

Property Owners will repay the principal, interest and applicable fees over the financing term as agreed to and specified in the PACE Assessment Contract, any Addendum, and plus the Notice of Assessment. Payment will be billed and paid as a line item on the property tax bill. Failure to repay as agreed will result in additional interest and penalties and may result in foreclosure and sale of the Property.

3.4 Prepayments and Re-amortization

Prepayment

The PACE Assessment may be prepaid in full or in part at any time with a minimum partial prepayment of \$2,500.

However, if you do prepay the PACE Assessment (i) the whole or portion of the unpaid PACE Assessment and (ii) the accrued but unpaid interest relating to the whole or applicable portion of the unpaid PACE Assessment through the date which the related bonds will be redeemed must be paid. All prepayments must be received by the Program Administrator 50 days prior to the date on which the related bonds will be redeemed.

Re-amortization

Property Owner(s) that make partial prepayments may elect to re-amortize their PACE Assessment, which will create a lower payment.

4. Program Process

The Program Process section describes the entire process for Residential Property Owners, Eligible Contractors, and Program Representatives from before the Project begins, though all steps of the financing process.

4.1. Process Overview



4.2. Application

Property Owner(s) will need to complete an application to receive financing. Approved Contractors will initiate an application request and homeowners will receive a secured link to a web-based application form. Once submitted, the application will be underwritten and a decision will be rendered and communicated to the applicant(s).

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 Eligible Contractor may not be eligible for financing. Furthermore, if a Property Owner is approved for financing but then installs products that are not eligible, those products will not be funded.

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 informational 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, and complete any other necessary record checks to verify information in the application or confirm eligibility for the Program.

4.3 Application Results

Approved

An application will be approved if an underwriter has verified all of the items listed in the Eligibility Requirements for properties and Property Owners. An approved applicant will receive an Approval Letter with instructions about the next steps for obtaining Program approval of Eligible Products, signing Financing Documents, installation of Eligible Products, satisfying any pre-closing stipulations and submitting the Completion Certificate. An approved applicant must comply with all Program requirements for these items, or will not be approved for funding at a later date.

Under Review

An application will be reviewed if the underwriter and/or the automated underwriting system is unable to connect the property with the Property Owner using the information that was submitted by the applicant or any issues arise during verification of eligibility requirements. Under review applicants will be notified of the issues that need to be resolved before the application can be advanced. If the applicant has any questions, he or she can always call the underwriter to discuss the status of his/her application. If an applicant fails to address the issues associated with the application, it may result in the application being subsequently declined.

Declined

An application will be declined if an underwriter determines that the applicant(s) or the property do not meet the eligibility requirements. A Property Owner/applicant will be notified in writing by mail of the specific reason(s) why his or her application was denied.

4.4. Financing Documents

After products are approved, Property Owners will be emailed their Financing Documents, which must be e-signed and returned to the Program by the date stated on the signature page of the PACE Assessment Contract. The following individual documents are included in the Financing Documents:

Application

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

PACE Assessment Contract

A contract between the Property Owner(s) and Program to provide financing for approved projects. The PACE Assessment Contract specifies the terms and conditions that would be agreed to by a Property Owner and CSCDA.

Work Estimate

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

Right to Cancel

A document that allows the Property Owner to cancel a PACE Assessment Contract prior to start of construction, provided to the Property Owner(s) with the PACE Assessment Contract.

Completion Certificate

A document signed by the Eligible Contractor and Property Owner upon acceptable completion of each Project; submitted to the Program Administrator upon completion of each Project.

PACE Assessment Contract Addendum

This document may be created to account for any changes in the PACE Assessment Contract. Such changes may include changes to the scope and/or cost of the project, and/or changes to the amount of capitalized interest due to the actual date of project completion.

Recording Documents

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

Notice of PACE Assessment

A notice to be sent with the next annual Property Tax statement sent by County revenue authorities to taxpayers detailing the amount of property tax they owe.

Payment of PACE Assessment Contract Required

A notice to be sent to the Auditor-Controller-Treasurer-Tax Collector describing the assessment and PACE Assessment Contract.

Additional Documents

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

4.5. Installation

A licensed Eligible Contractor that is approved by the Program Administrator must complete all installations within 120 days. No self-installations are permitted. Installation costs may include, but are not limited to, energy/water audit costs, appraisals, labor, design, drafting, engineering, permit fees, and inspection charges. Eligible Contractors must provide a reasonable warranty as determined by a Program Administrator for all work performed.

4.6. Payment Issued

Once the work of the Installation Contract has been completed by the Eligible Contractor, the Property Owner must submit an executed Completion Certificate to the Program for approval.

4.7. Record Lien on Property

After receiving the executed Completion Certificate, the Program will record the PACE Assessment lien documents with the County in which the property is located. Bonds are then issued to finance the PACE Assessment and Program Administrator will have payment made to the Eligible Contractor(s) listed on the Completion Certificate.

4.8. PACE Assessment added to Property Taxes

For all Property Owner(s) who sign Financing Documents, the Program will submit to the county a tax roll that identifies the PACE Assessment lien and the PACE Assessment due. This PACE Assessment payment will appear as a separate line item on a Property Owner's annual property tax bills for the term of the financing.

Recordation of the PACE Assessment lien on the property will establish a continuing annual lien. As with other property taxes, the Property Owner may pay the entire Annual Assessment Obligation amount on the date the first installment is due OR he or she may pay in two installments on the dates such installments are due.

If the Property Owner wishes to sell the property, under California law, property taxes typically stay with the property when it is sold and the same is true with all assessments. Under the PACE Funding Program, when a Property Owner sells or refinances their property, the Program will permit their PACE Assessment to stay with the property; however, the Program make no representations or warranties regarding any other lenders or buyers requirements or practices pertaining to tax assessments, PACE Assessments, and/or liens. Property Owners should consult with their lenders at the time of refinance or sale of the property to determine whether their PACE Assessment will need to be paid in full. In addition, by law, Property Owners must provide notice of the PACE Assessment to the buyer prior to sale of the property.

If a Property Owner uses an impound account to pay his or her property taxes, Property Owner can contact the impound account administrator to increase monthly impound payments by an amount equal to the total annual PACE Assessment divided by twelve (12) months.

5. Additional Terms and Requirements

Agree to all Program Terms

By execution of the Financing Documents, each executing Property Owner certifies that they have read, understood and agreed to the terms of the Program as outlined in this Program Handbook in addition to

the terms of the PACE Assessment Contract. Property Owner also thereby certifies that the Property Owner(s), the Property, and the Installation Contract meet all Program eligibility requirements.

Property Owner Representations

By submitting an application the Property Owner represents that He or She:

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

Tax Matters

The Program and Program Administrators do not offer any tax advice or related services. Property Owners should consult with a qualified tax advisor or accountant on any tax matters including whether or not Property Owner(s) may claim deductions of any part of the Annual Assessment Obligation on tax returns.

Fraudulent Activity

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

Marketing Guidelines

Use of any trademarks, logos or other branding collateral owned by the CSCDA or the Program Administrator requires prior written approval.

Collection & Use of Data

By submitting a Program application, Property Owner agrees that the Program Administrator may disclose his or her personal information to Program staff, and that the Program Administrator and Program staff may disclose that information to third parties when such disclosure is essential to the conduct of the Program Administrators' or its member agencies' business or to provide services to Property Owner, including, but not limited to, where such disclosure is necessary to (i) comply with the law, legal process or regulators, (ii) enable the Program Administrator or the Program staff or third parties to provide services to Property Owner and to otherwise perform their duties, and (iii) obtain and provide credit reporting information.

In order to receive funding for this Program and to enable communication regarding the State of California's rebate program, Property Owner consents to the release of his or her name and contact information to the California Solar Initiative or the utility solar rebate program operated by the local

Utility. Property Owner further agrees to the release of his or her name and contact information and the subject property's utility usage data for twelve (12) months before installation of the improvements and throughout the Term, from the local utility company to the Program Administrator, Program staff, its grantors, and its designated Eligible Contractors for the purpose of conducting surveys and evaluating the Program and its impact. In addition, Property Owner understands that the CSCDA is a public agency which, in certain circumstances, may have an obligation to release information under the California Public Records Act or pursuant to court order

No Endorsement

The Program offer no endorsement of the Eligible Contractors, Products, or product claims of economic value, warranty, energy savings, safety or reliability of the products.

Defaults on PACE Assessment Payments

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

Releases and Indemnification

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

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

Property Owners Are Responsible for Products, Building Permits and Inspections

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

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

Dispute Resolution

Signed PACE Assessment Contract:

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

No Signed Assessment Contract:

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

(30) calendar days after delivery of the notice, the Program Administrator with the Property Owner, and shall attempt to resolve the dispute. The Program Administrator shall render a written decision in 30 calendar days and send that decision to the Property Owner. The decision of the Program Administrator is final.

6. Appendix

6.1. Glossary of Terms and Other Useful Resources

Terms

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.

Annual Fuel Utilization Efficiency (AFUE): AFUE is the standard measurement of efficiency for gas and oil-fired furnaces. Given in percentages, this number tells you how much of your fuel is used to heat your home and how much fuel is wasted. The higher the AFUE rating, the greater the efficiency.

Assessed Value: The value of a property that has been determined by the county assessor's office. This is the basis on which you pay property taxes.

Assessment: This is equal to the sum of the Project Amount and Upfront Costs.

Assessment Contract: The legal financing agreement between the Property Owner(s) and CSCDA.

Assessment Contract Addendum: An addendum to the Assessment Contract that is used to make corrections to the contract and/or modify the contract to make desired Project changes.

Assessment Contract Date: The date that the Assessment Contract was generated for the Property Owner(s) signature.

Building Performance Institute (BPI): 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. BPI certifications include building analysts (for energy audits) as well as building envelope professionals (envelope or manufactured housing) and mechanical professionals (heating or cooling).

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 Community Development Authority (CSCDA): Is a joint powers authority representing its Associate Members in establishing the PACE Funding Program. CSCDA is serving as Agent to facilitate funding for owners of properties in jurisdictions of its Associate Members that meet the Project approval and funding criteria provided herein for participation in the PACE Funding Program.

California Solar Initiative (CSI): The California Solar Initiative is part of the Go Solar California campaign and builds on 10 years of state solar rebates offered to customers in California's investor-owned utility territories: Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E). The California Solar Initiative is overseen by the California Public Utilities Commission.

California State Licensing Board (CSLB): The CSLB is the state entity in California that licenses and regulates all contractors. You may check the Eligible Contractor's license status, as well as their bonding and workers compensation information at any time on the CSLB website.

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.

Completion Certificate: A document signed by the Property Owner(s) and Eligible Contractor upon completion of the Project.

Cool Roof: roof that reflects and emits the sun's heat back to the sky instead of transferring it to the building below. "Coolness" is measured by two properties, solar reflectance and thermal emittance. Both properties are measured from zero (0) to one (1) and the higher the value, the "cooler" the roof

Custom Project: A one-time requirement whereby the circumstances are such that the Project (product included) passes the energy and/or water efficiency scrutiny in the specific case that is being requested.

Energy Audit: An evaluation of energy consumption, as in a home or business, to determine ways in which energy can be conserved.

Energy Efficiency Ratio (EER): EER is a measure of how efficiently a cooling system will operate when the outdoor temperature is at a specific level (95of). The higher the EER, the more efficient the system.

Eligible Contractor: The person or business entity who contracts to install Eligible Products and has signed a Eligible Contractor Agreement.

Eligible Products: All Eligible Products listed in Appendix 6.4.

ENERGY STAR: ENERGY STAR is a U.S. Environmental Protection Agency (EPA) voluntary program that helps businesses and individuals save money and protect our climate through superior energy efficiency.

PACE Funding Program Handbook

Estimated Administrative Fee: The annual fee to cover the applicable county's and CSCDA's cost of collecting the Assessment on your property tax bill.

Expiration Date: The date that all approved Eligible Products are must be installed and completed in order for the locked Interest Rate on the Assessment Contract to remain unchanged. (120 days after the Assessment Contract Date, depending on the installed Eligible Products).

Financing Documents: The Financing Documents are all the documents which the property owner must sign as set forth in the application, Completion Certificate and Assessment Contract.

Funding Date: The latest possible date for disbursement of payments to the designated payee indicated on the Completion Certificate.

Interest Rate: The rate applied to the financed amount. This is not compounded.

Heat Seasonal Performance Factor (HSPF): HSPF is the most commonly used measure of a heat pump's heating efficiency. The higher the HSPF, the more efficient the heat pump.

Home Energy Rating System (HERS): Based on the home's plans, the Home Energy Rater uses an energy efficiency software package to perform an energy analysis of the home's design. This analysis yields a projected, pre-construction HERS Index. Upon completion of the plan review, the rater will work with the builder to identify the energy efficiency Eligible Products needed to ensure the house will meet Energy Star performance guidelines. The rater then conducts onsite inspections, typically including a blower door test (to test the leakiness of the house) and a duct test (to test the leakiness of the ducts). Results of these tests, along with inputs derived from the plan review, are used to generate the HERS Index score for the home.

Installation Contract: the contract signed by the Property Owner(s) and the Eligible Contractor wherein Eligible Contractor agrees to install Eligible Products on the Property and Property Owner(s) agree(s) to pay the Project Amount, which will be financed by the PACE Assessment. The Installation Contract cannot include products that are not eligible for PACE nor any labor charges that are not directly related to the installation of Eligible Products.

Participating Community: Areas where Program financing is available as identified on <http://www.pacefunding.com/community/> Other members of the CSCDA may elect to participate in the future.

Principal: Also called PACE Assessment. This is equal to the sum of the Project Amount and Upfront Costs.

Project: The installation of Eligible Products on the Property by an Eligible Contractor.

Project Amount: The total amount requested by the Property Owner(s) to finance the Project.

Program: The PACE Funding Program.

Program Administrator: PACE Funding is the designated Program Administrator on behalf of CSCDA.

Program Origination Fee: One-time fee that can be financed or paid by the Property Owner(s) that covers the cost of issuing the bonds. Annual Fee also. The Program Origination Fee is identified included in the Financing Documents. Separate from the one- time fee at time of issuance, there is also an annual fee which is paid on an annual basis

Program-Related Fees: One-time and annual fees incurred at Funding Date. Program-Related Fees include program administration, origination, program sponsor, bond counsel, and tax administration.

Property Value: A home's market value derived from an automation value model, the Assessed Value, or the appraised value.

Property: The Real Property where Eligible Products will be installed.

Property Owner: The record owner(s) of the fee title to the Property.

Real Property: A property in a city or county that is participating in the Program that is subject to a real property tax.

Residential: Single family home, with three (3) or fewer residential units.

R-Value: R-Value is a measure of thermal resistance used in the building and construction industry, usually for insulation. The higher the R-Value, the greater the insulation qualities of the product.

Seasonal Energy Efficiency Ratio (SEER): SEER is most commonly used to measure the efficiency of central air conditioners and air source heat pumps. SEER measures how efficiently a cooling system will operate over an entire season. The higher the SEER, the more efficient the system.

Solar Heat Gain Coefficient (SHGC): SHGC measures how well a product blocks heat by sunlight. SHGC is expressed as a number between 0 and 1. The lower the SHGC, the less solar heat is transmitted into the building.

Solar Rating and Certification Corporation (SRCC): The SRCC currently administers a certification, rating, and labeling program for solar collectors and a similar program for complete solar water heating systems.

Term: The number of years to pay off the Assessment.

Title 24: California Code of Regulations (CCR), Title 24, also known as the California Building Standards Code, is a compilation of three types of building standards from three different origins:

- Building standards that have been adopted by state agencies without change from building standards contained in national model codes;
- Building standards that have been adopted and adapted from the national model code standards to meet California conditions;
- Building standards, authorized by the California legislature, that constitute extensive additions not covered by the model codes that have been adopted to address particular California concerns.

Total Assessment Obligation: The sum total of Principal, interest, Estimated Administrative expenses over the Term.

Water Audit: Water Audit is a qualitative and quantitative analysis of water consumption to identify means of reducing, reusing and recycling of water.

WaterSense: WaterSense is a partnership program sponsored by the U.S. Environmental Protection Agency (EPA) with the goal of protecting the future of the US's water supply. By promoting and enhancing the market for water efficient products and services, WaterSense makes every drop count by leveraging relationships with key utility, manufacturer and retail partners across the U.S.

Upfront Costs: One-time fees incurred at Funding Date.

6.2. Program Forms and Financing Documents

- Program Handbook
www.pacefunding.com/images/Handbook.pdf
- Sample PACE Funding Residential Application and Financing Documents
<http://www.pacefunding.com/Customer Agreement Contract/>
- Sample PACE Funding Assessment Contract
<http://www.pacefunding.com/AssessmentContract>
- Sample Completion Certificate
www.pacefunding.com/CompletionCertificate.pdf
- Privacy Policy www.pacefunding.com/PrivacyPolicy.pdf

6.3. Eligible Communities

To view all Eligible Communities, please visit

<http://www.pacefunding.com/community/>

Solar Thermal

Product Type	Eligibility Specifications	Maximum Term (Years)	Maximum Price
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. Installed per manufacturer specifications. 	15	\$15,000
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. Installed per manufacturer specs. 	15	\$10,000

Alternative Energy

Product Type	Eligibility Specifications	Maximum Term (Years)	Maximum Price
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. Installed per manufacturer specs. 	20	\$9/W
Advanced Energy Storage System	<ol style="list-style-type: none"> 1. 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. Installed per manufacturer specs. 	10	\$1/kwh

PACE Funding Program Handbook

Electric Vehicle Charging Station	<ol style="list-style-type: none"> Product must be certified as meeting the UL Subject 2594 Standard Testing for Charging Stations. Product must be a Level 2 charger with SAE J1772 standard charging plug. Installed per manufacturer specs. 	10	\$2,500
Stationary Fuel Cell Power System	<ol style="list-style-type: none"> System must be certified as meeting the ANSI/CSA America FC1 standard. Installed in accordance with local code and/or the Standard for the Installation of Stationary Fuel Cell Power Plants, NFPA 853, the National Fuel Gas Code, ANSI Z223.1/NFPA 54, National Electrical Code, NFPA 70, as applicable. Installed per manufacturer specs. 	15	\$15,000

Cogeneration

Product Type	Eligibility Specifications	Maximum Term (Years)	Maximum Price
Micro turbine	<ol style="list-style-type: none"> P.U. Code 216.6 Installed per manufacturer specs. 	20	\$9/W
Internal Combustion Engine	<ol style="list-style-type: none"> P.U. Code 216.6 Installed per manufacturer specs. 	20	\$4/W
Fuel Cell	<ol style="list-style-type: none"> P.U. Code 216.6 Installed per manufacturer specs. 	20	\$4/W

6.4.2 Energy Efficiency Products

High-Efficiency Heating Ventilation and Air Conditioning (HVAC)

Product Type	Eligibility Specifications	Maximum Terms (Years)	Maximum Price
Air-Source Heat Pump	<ol style="list-style-type: none"> 1. Product must be AHRI Certified. 2. Product must be ENERGY STAR Certified: <ol style="list-style-type: none"> a. Split: SEER ≥ 14.5 and EER ≥ 12 and HSPF ≥ 8.2. b. Package: SEER ≥ 14 and EER ≥ 11 and HSPF ≥ 8.0. 3. Must replace an existing product. Installed per 4. manufacturer specs. 	15	\$7,000
Central Air Conditioner	<ol style="list-style-type: none"> 1. Product must be AHRI Certified and AHRI Number must be provided. 2. Product must be ENERGY STAR Certified: <ol style="list-style-type: none"> a. Split: SEER ≥ 14.5 and EER ≥ 12. b. Package: SEER ≥ 14 and ≥ EER 11. 3. Must replace an existing product. Installed per 4. manufacturer specs. 	15	\$25,000
Furnace	<ol style="list-style-type: none"> 1. Product must be AHRI Certified and AHRI number must be provided. 2. Efficiency if equipped with ECM: AFUE = 80% 3. Efficiency if not equipped with ECM: a. AFUE = 90%. Product must be ENERGY STAR Certified: AFUE ≥ 90%. 4. Must replace an existing product. Installed per manufacturer specs. 	20	\$11,000
Evaporative Cooler	<ol style="list-style-type: none"> 1. Product must be listed in California Energy Commission Appliance Efficiency Database. 	10	\$2,500

PACE Funding Program Handbook

	<ol style="list-style-type: none"> 2. Must be permanently installed through wall or on the roof; window installed product is not eligible. Must have separate ducting system – 3. independent of the air conditioning and heating duct system. 4. Installed per manufacturer specs. 		
Boiler	<ol style="list-style-type: none"> 1. Product must be AHRI Certified. 2. 3. Product must be ENERGY STAR Certified: AFUE $\geq 85\%$. 4. Must replace an existing product. Installed per manufacturer specs. 	20	\$20,000
Geothermal Heat Pump	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Certified: <ol style="list-style-type: none"> a. Closed Loop Water-to-Air: ≥ 14.1 EER and ≥ 3.3 COP b. Open Loop Water-to-Air: ≥ 16.2 EER and ≥ 3.6 COP c. Closed Loop Water-to-Water: ≥ 15.1 EER and ≥ 3.0 COP d. Open Loop Water-to-Water: ≥ 19.1 EER and ≥ 3.4 COP e. DGX: ≥ 15.0 EER and ≥ 3.5 COP 2. Must replace an existing product. 3. Installed per manufacturer specs. 	15	\$7,500
Hydronic Radiant Heating	<ol style="list-style-type: none"> 1. System must be powered by a high- efficiency heating source. 2. Installed per manufacturer specs. 	15	\$35,000

PACE Funding Program Handbook

Mini-Split Air Conditioner	<ol style="list-style-type: none"> 1. Product must be AHRI certified. 2. Efficiency: ≥ 15 SEER and HSPF ≥ 8.2. 3. Must replace an existing product. Installed per manufacturer specs. 4. Installed per manufacturer specs. 	15	\$1,500/kBTU
Mini-Split Heat Pump	<ol style="list-style-type: none"> 1. Product must be AHRI certified. 2. Efficiency: ≥ 15 SEER and HSPF ≥ 8.2. 3. Must replace an existing product. Installed per manufacturer specs. 4. Installed per manufacturer specs. 	15	\$1,500/kBTU
Biomass / Wood Stove	<ol style="list-style-type: none"> 1. Product must be certified and listed on the EPA Certified Wood Stoves list. 2. Installed per manufacturer specs. 	15	\$15,000
Duct Replacement	<ol style="list-style-type: none"> 1. Duct system leakage: <ol style="list-style-type: none"> a. Partial Replacement: $\leq 15\%$ total system nominal flow b. Full Replacement: $\leq 6\%$ total system nominal flow 2. nominal flow Duct Insulation R-Value $\geq R-6$. 3. Installed per Title 24, Part 6. 	20	\$7,500
Heat/Energy Recovery Ventilator	<ol style="list-style-type: none"> 1. Product must be certified by the Home Ventilation Institute (HVI). 2. Installed per manufacturer specs. 	10	\$5,000
Exhaust Ventilation Fixture	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR Certified. 2. Installed per manufacturer specs. 	10	\$1,000
Whole House Fan	<ol style="list-style-type: none"> 1. Product must be listed in California Energy Commission Appliance Efficiency Database. 2. Installed per manufacturer specs. 	20	\$5,000
Attic Ventilation Fixture	<ol style="list-style-type: none"> 1. Product must have thermostat control. 2. Installed per manufacturer specs. 	15	\$2,000

PACE Funding Program Handbook

Ceiling Fan	<ol style="list-style-type: none">1. Product must be ENERGY STAR Certified.2. Installed per manufacturer specs.	10	\$1,000/fan
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Windows Doors and Skylights

Product Type	Eligibility Specifications	Maximum Terms (Years)	Maximum Price
Window	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR and NFRC Certified: 2. U-Factor \leq 0.32 and SHGC \leq 0.30. 3. Must replace an existing product. 4. Product NFRC label to be submitted with Completion Certificate 5. Installed per manufacturer specs. 6. Product must meet Title 24 requirements. 	20	\$2,500/ window
Door	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR and NFRC Certified: <ol style="list-style-type: none"> a. Opaque: U-Factor \leq 0.21 and SHGC = Any b. \leq 1/2-Lite: U \leq 0.27 and SHGC \leq 0.30 c. $>$ 1/2-Lite: U \leq 0.32 and SHGC \leq 0.30 2. Installed per manufacturer specs. 	20	\$1,500/ door
Skylights and Tubular Day lighting Device	<ol style="list-style-type: none"> 1. Product must be NFRC Certified: U-Factor \leq 0.55 and SHGC \leq 0.30 2. Installed per manufacturer specs. 	20	\$2,500/ skylight
Applied Window Film	<ol style="list-style-type: none"> 1. Product must be NFRC Certified. 2. NFRC label for each different product to be submitted with Completion Certificate. <p>Installed per manufacturer specs.</p>	10	\$250/ window

PACE Funding Program Handbook

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 product 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. Patio Covers b. Fixed Awnings c. Operable Awnings d. Operable Shutters e. Solar Screens <p>Product is <u>only</u> eligible to be installed on properties located within California Building Climate Zones 2, and 6-16.</p> 4. Other exterior structural products including, but not limited to, sunroom enclosures, exterior 5. decks, balconies, roof overhangs, detached/free-standing arbors, detached/freestanding pergolas, and/or carports are <u>NOT</u> eligible. 6. Interior window shading products including, but not limited to, blinds, shutters, shades, or curtains are <u>NOT</u> eligible. Product is <u>NOT</u> eligible 7. to be installed on properties located with California Building Climate Zones 1, and 3-5. 8. Installed per manufacturer specs. 	10	<p>\$4,000 for fixed</p> <p>\$9,000 for retractable</p>
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Building Envelope

Product Type	Eligibility Specifications	Maximum (Term)	Maximum Price
Cool Wall Coating	<ol style="list-style-type: none"> 1. Product must have solar reflectance ≥ 0.5 as tested by recognized third-party laboratory to ASTM C1549-09 standard. 2. Product is only eligible to be installed on properties located within California Building Climate Zones 4-10 and 12-15. 3. Installed per manufacturer specs. 	20	\$10/sf
Cool Roof - Prescriptive	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR® Qualified or certified by the Cool Roof Rating Council with these ratings: <ol style="list-style-type: none"> a. Low-Slope Roofs: ≥ 0.5 Aged (3 yrs.) Solar Reflectance b. Steep-Slope Roof: ≥ 0.15 Aged Solar 2. Reflectance Product must meet Title 24, Part 6. 3. Installed per manufacturer specs. 	20	built-up: \$6.25/sf membrane PV: \$6.15/sf modified bitumen: \$5.85/sf metal: \$14.55/sf asphalt shingle: \$10.00/sf applied coating: \$9.30/sf concrete tile: \$20.00/sf clay tile: \$20.65/sf wood shake bare: \$10.00/sf

Cool Roof - Performance	<p>If ENERGY STAR® Qualified roofing product is not specified, one of the following Cool Roof performance measures must also be implemented:</p> <ol style="list-style-type: none"> a. Install ≥ 1" Air-space between the top of the roof deck to 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. 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. <p>2. Project must comply with CA Title 24 Part 6. Property Owner is fully and solely responsible to meet any such additional requirements.</p>	20	<p>built-up: \$6.25/sf membrane PV: \$6.15/sf modified bitumen: \$5.85/sf metal: \$14.55/sf asphalt shingle: \$10.00/sf applied coating: \$9.30/sf concrete tile: \$20.00/sf clay tile: \$20.65/sf wood shake bare: \$10.00/sf</p>
Attic Insulation	<p>R-value ≥ 38. Installed per CEC QII Standards.</p>	20	\$3/sf
Wall Insulation	<p>R-value ≥ 13 to full framing cavity depth. Installed per CEC QII Standards.</p>	20	\$3/sf
Under-Floor Insulation	<p>R-value ≥ 19 to full joist depth. Installed per CEC QII Standards.</p>	20	\$8/sf
Radiant Barrier	<p>Emissivity ≤ 0.1. Reflectivity ≥ 0.9. Installed per manufacturer specs.</p>	20	\$8/sf
Air Sealing	<p>Performed to BPI, ENERGY STAR®, and ASHRAE 62.2 guidelines.</p>	10	\$10,000

High Efficiency Water Heating

Product Type	Eligibility Specifications	Maximum Term (years)	Maximum Price
Gas Storage Water Heater	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR® Certified. 2. EF ≥ 0.67. 3. Installed per manufacturer specs. 	10	\$7,500
Electric Heat Pump Storage Water Heater	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR® Certified. 2. EF ≥ 2.0. 3. Installed per manufacturer specs. 	10	\$10,000
Gas Tankless Water Heater	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR® Certified. 2. EF ≥ 0.82. 3. Installed per manufacturer specs. 	10	\$7,500

High Efficiency Pool Equipment

Product Type	Eligibility Specifications	Maximum Term (years)	Maximum Price
Pool Pump and Motor	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR® Certified: <ol style="list-style-type: none"> a. Single Speed Pump: EF ≥ 3.8 for single speed b. Multi/Variable Speed/Flow: EF ≥ 3.8 for most efficient speed. 2. Installed per manufacturer specs. 	10	\$5,000
Electric Heat Pump Pool Heater	<ol style="list-style-type: none"> 1. Product must be listed in California Energy Commission Appliance Efficiency Database. 2. COP ≥ 4.5. 3. Installed per manufacturer specs. 	10	\$10,000
Gas Pool Heater	<ol style="list-style-type: none"> 1. Product must be listed in California Energy Commission Appliance Efficiency Database. 2. Thermal Efficiency ≥ 83%. 3. Installed per manufacturer specs. 	10	\$10,000

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. Installed per manufacturer specs. 4. Manual swimming pool covers are not eligible. 	10	\$7,000
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High Efficiency Lighting

Product Type	Eligibility Specifications	Maximum Term (Years)	Maximum Price
Indoor Lighting Fixture	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR® Certified and meet Title 24, Part 6 requirements. 2. Product must be permanently installed. 3. Installed per manufacturer specs. 	20	\$400 ea.
Outdoor Lighting Fixture	<ol style="list-style-type: none"> 1. Product must be ENERGY STAR® Certified and meet Title 24, Part 6 requirements. 2. Product must be permanently installed. 3. Installed per manufacturer specs 	20	\$1,000 ea.
Lighting Control	<ol style="list-style-type: none"> 1. Product must be listed in the California Energy Commission Appliance Efficiency Database. 2. Eligible control types include: <ol style="list-style-type: none"> a. Automatic Time-Switch b. Daylight/Photo- Sensor c. Dimmer d. Occupant/Motion/Vacancy Sensor 3. Install per manufacturer specs. 	20	\$4,000

Indoor Water Efficiency

Product Type	Eligibility Specifications	Maximum Term (Years)	Maximum Price
High-Efficiency Toilet Fixture	<ol style="list-style-type: none"> 1. Product must be listed in the CEC Appliance Efficiency Database. 2. Toilet and urinals fixtures are eligible. 3. Flow rate \leq 1.28 GPF. 4. Installed per manufacturer specs. 	20	\$2,500
High-Efficiency Faucet Fitting	<ol style="list-style-type: none"> 1. Product must be listed in the CEC Appliance Efficiency Database. 2. Flow rate \leq 1.5 GPM. 3. Must be permanently installed. 4. Installed per manufacturer specs. 	15	\$1,000
High-Efficiency Showerhead	<ol style="list-style-type: none"> 1. Product must be listed in the CEC Appliance Efficiency Database. 2. Flow \leq 2.0 GPM. 3. Installed per manufacturer specs. 	15	\$1,000
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. Installed per manufacturer specs. 	20	\$1,000

Outdoor Water Efficiency

PACE Funding Program Handbook

Product Type	Eligibility Specifications	Maximum Term (Years)	
High-Efficiency Sprinkler Nozzle	<ol style="list-style-type: none"> 1. Product must be on SoCal Water Smart Qualified Sprinkler Nozzle product list. 2. Installed per manufacturer specs. 	10	\$100 each
Weather-Based Irrigation Controller	<ol style="list-style-type: none"> 1. Product must be WaterSense Qualified. 2. Installed per manufacturer specs. 	10	\$1,000
Drip Irrigation	<ol style="list-style-type: none"> 1. Product installed be installed in turf, garden, planter, or flower bed area. 2. Installed per manufacturer specs. 	10	\$10/sq ft
Rainwater Catchment System	<ol style="list-style-type: none"> 1. Sized to hold ≥ 50 gallons at one time. 2. Must be permanently installed. 3. Installed per manufacturer specs. 	20	\$5,000
Gray Water System	<ol style="list-style-type: none"> 1. System must meet California Plumbing Code, Chapter 16A. Product must comply with local code and permitting requirements. 3. Eligible system types include: <ol style="list-style-type: none"> a. Single-Fixture b. Multi-Fixture Simple (≤ 250 GPD) c. Multi-Fixture Complex (> 250 GPD) 4. Installed per manufacturer specs. 	20	\$10,000
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 ≥ 10 year warranty. 	10 or 15	\$15/sq ft

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| | <ol style="list-style-type: none">5. Installed per manufacturer specs.6. Product infill material must be one of the following:<ol style="list-style-type: none">a. Acrylic Covered Sandb. Crumb Rubberc. Zeolite | | |
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6.5 Additional Requirements and Terms

In addition to the Program eligibility criteria and requirements described above in the Handbook, the following additional terms are required of property owners who participate in the Program.

Property Owner Agrees to All Program Terms

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

Authority to Install Products

By execution of the Assessment Contract documents, each property owner represents that he or she has the authority to install the approved products on the property named in the Assessment Contract documents.

No Endorsement by Agent or PACE Funding

The property owner(s) understand, acknowledge and agree that review of the proposed products, the determination that such products are Eligible Products and authorization for Program funding of the installation of such products by Agent and PACE Funding shall not be construed as a confirmation or endorsement of the qualifications, efficiency or performance of such products, the Eligible Contractors that installed such products, the manufacturer of or any other person involved with the products; or the design of the products; or a warranty or guaranty the performance, economic value, energy savings, safety, durability or reliability of such products.

Property Owner Is Responsible for Products, Building Permits and Inspections

The property owner is solely responsible for all products installed on his or her property, including the selection of any Eligible Contractor(s), energy auditor(s), or equipment, including manufacturers. Any performance related issues are the responsibility of the property owner and the property owner's

Eligible Contractor(s). Neither the Agent nor its Agents are responsible for the performance of the products. **AGENT, PACE FUNDING, EACH OF THE PARTICIPATING ENTITIES AND THEIR RESPECTIVE OFFICERS, EMPLOYEES AND AGENTS DO NOT ENDORSE OR RECOMMEND ELIGIBLE CONTRACTORS WHO REGISTER WITH THE PROGRAM, NOR DO THEY GUARANTEE, WARRANTY OR OTHERWISE INSURE THE COMPLETION OF THE INSTALLATION OF THE ELIGIBLE PRODUCTS BY SUCH ELIGIBLE CONTRACTORS OR THE OPERATION OF THE ELIGIBLE PRODUCTS OR ANY OTHER PERSON INVOLVED WITH THE INSTALLED PRODUCTS, THE DESIGN OR MANUFACTURE OF SUCH PRODUCTS, OR THE ECONOMIC VALUE, ENERGY SAVINGS, SAFETY, DURABILITY OR RELIABILITY OF SUCH PRODUCTS.** Completion of all city and county permitting and inspections are the responsibility of the property owner.

Defaults on Assessment Payments

After written notification, defaults in payment of Annual Assessment Obligation will result in the initiation of foreclosure proceedings on the December 1st following such default.

Tax Deductibility of Contractual Assessment

Please confer with your tax advisor as to whether he or she recommends deducting any part of your contractual assessment on your tax return.

Program Database

All information obtained from Property Owners through the Program will be used only for purposes of the Program, utility rebate programs, energy savings tracking, and federal or state grant program funds tracking and surveys.

Releases and Indemnification

By submitting a Program application, property owner thereby acknowledges that Agent has established the PACE Funding Program solely for the purpose of assisting the property owners in the Participating Entity where their property is located with the financing of Eligible Products and that Agent, each Participating Entity, PACE Funding and their respective officers, employees, agents and assigns have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of such Eligible Products. Property owner agrees that property owner and his or her successors in interest to the fee simple title in the subject property shall be solely responsible for the installation, operation, financing, refinancing or maintenance of such Eligible Products. Participation in the Program does not in any way obligate Agent, any Participating Entity, PACE Funding and/or their respective officers, employees, agents and assigns to guarantee or ensure the performance of any Eligible Products. Property owner thereby acknowledges

that the subject property will be responsible for payment of the contractual assessment regardless of whether the products are properly installed or operate as expected.

Property Owner also agrees to release, defend, indemnify, and hold harmless Agent, the Participating Entities, their respective officers, employees, agent assigns, from and against any claims, actions, demands, costs, damages or lawsuits, including the payment of attorney fees and cost of court, arising out of or in any way connected with his or her participation in the Program, including, without limitation, the installation, maintenance or repair of the products or compliance with any applicable federal, state or local laws.

Renewable Energy Certificates, Incentive Tax Credits, and other Green Attributes

Property Owner(s) may retain all rights to any available Investment Tax Credits (“ITCs”). CSCDA will retain rights to all other related green attributes, including Renewable Energy Certificates (“RECs”) for qualifying renewable energy products.

Eligible Contractor Marketing Guidelines

The Agent has provided Eligible Contractor Trademark and Logo Usage Guidelines for any third party wishing to reference the Program in that third party’s marketing materials. These guidelines should be strictly adhered to or such third party will risk being excluded from participating in the Program in the most severe instances.