



**Economic Innovation and Sustainability Committee
MEETING AGENDA
February 18, 2021
Upon Adjournment of Regular CSCDA Meeting**

Pursuant to Governor Newsom's Executive Order, Commissioners of the California Statewide Communities Development Authority or staff may participate in this meeting via a teleconference. In the interest of maintaining appropriate social distancing, members of the public may participate in the meeting telephonically. Members of the public may observe and offer comment at this meeting telephonically by dialing 623-404-9000, Meeting ID 240 338 9861 Passcode 747188. If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act ("ADA") please contact info@cscda.org or 1-800-531-7476 prior to the meeting for assistance.

A. OPENING AND PROCEDURAL ITEMS

1. Roll Call.

 ___ Brian Stiger, Member
 ___ Tim Snellings, Member
 ___ Brian Moura, Member
2. Consideration of Minutes from January 21, 2021 Meeting
3. Public Comment.

B. ITEMS FOR CONSIDERATION AND ACTION

4. Consideration of CastleGreen Finance as a commercial Open PACE Administrator.
5. Consideration of Bayview Asset Management as a commercial Open PACE Administrator.
6. Consideration of updates to Open PACE Handbook.

C. STAFF ANNOUNCEMENTS, REPORTS ON ACTIVITIES OR REQUESTS

7. Staff Updates.
8. Adjourn.

NEXT MEETING: Thursday, March 18, 2021 at adjournment of CSCDA Regular Meeting.

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MINUTES

MEETING OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY ECONOMIC INNOVATION & SUSTAINABILITY COMMITTEE

January 21, 2021

1. Roll Call.

Committee members participating via teleconference: Tim Snellings, Brian Moura and Brian Stiger.

Others participating via teleconference: Cathy Bando, CSCDA Executive Director; James Hamill, Bridge Strategic Partners.

2. Public Comment.

There were no public comments.

3. Consideration of GreenRock Healthcare Capital as a commercial PACE capital provider.

The Committee unanimously approved the recommendation of GreenRock Healthcare Capital as an Open PACE capital provider to the CSCDA Commission.

4. Consideration of litigation reserve fund for residential CSCDA Open PACE Program Administrators.

The Committee directed staff to discuss options for a litigation reserve fund with residential Open PACE providers and report back with options to the Committee.

6. Staff Updates.

None.

The meeting was adjourned at 3:18 p.m.

Submitted by: James Hamill, Managing Director

NEXT MEETING: Thursday, February 18, 2021 after the regular CSCDA meeting.



Agenda Item No. 4

Agenda Report

DATE: February 18, 2021

TO: Committee Members

FROM: James Hamill, Managing Director

PURPOSE: Consideration of CastleGreen Finance as a commercial Open PACE Program Administrator.

EXECUTIVE SUMMARY:

CSCDA received a proposal CastleGreen Finance (“CastleGreen”) for commercial PACE only program administrator under the CSCDA Open PACE program.

OVERVIEW:

CastleGreen

- CastleGreen is led by professionals with a strong history in creating and managing nationwide commercial real estate lending platforms for institutional lenders, as well as boutique platforms through several real estate cycles. This includes nearly four (4) years managing a C-PACE platform and over fifty (50) years combined commercial mortgage financing experience among its partners.
- CastleGreen is currently supported by an X-Caliber Investments fund with \$58 million of available equity capital that may be levered to provide over \$250 million of C-PACE financing power.
- CastleGreen has set up a special purpose entity called CastleGreen Services, LLC for the sole purpose of providing Program Administration and associated C-PACE servicing nationally. CastleGreen will enter into a subservicing agreement within its partnership with X-Caliber. X-Caliber maintains a current servicing portfolio of approximately \$700 million.
- In addition to the extensive infrastructure and servicing support from X-Caliber, CastleGreen has hired dedicated originators for the western and southeast regions and hired a transaction manager with experience managing the underwriting process, closing and asset management and disbursements for C-PACE transactions in California with CSCDA.

CastleGreen exceeds all of the CSCDA Program Administrator requirements as outlined below:

1. Program administration contract with CSCDA;
2. Exclusively offer C-PACE through CSCDA only in California;
3. Minimum of \$25MM in capital available for financing C-PACE loans. Availability of capital needs to be evidenced by a capital commitment letter or letter of intent; ***CastleGreen currently has \$58 million equity capital to fund CPACE projects.***
4. Minimum transaction size \$2MM;
5. C-PACE finance team established including bond counsel, assessment engineer and trustee; ***CastleGreen is looking to use Ackerman as bond counsel. This would be new to CSCDA and they have been informed a one-time review of the documents by Orrick will be required. Ackerman is respected and knowledgeable in the CPACE space.***
6. Minimum 2 years of C-PACE or similar financing experience; ***CastleGreen team has 4+ years' experience in CPACE.***
7. Ability to manage delinquency of assessments.
8. Upon Commission approval of program handbook and documents, individual C-PACE transactions do not need to be approved by the CSCDA Commission.

Attachment A – Powerpoint Overview of CastleGreen

RECOMMENDED ACTION:

Recommend the approval of CastleGreen as a new commercial Open PACE Program Administrator.



C-PACE Program Administration Application to CSCDA
January 25th, 2021

Executive Summary

- CastleGreen Finance, LLC, (“CastleGreen”) in partnership with X-Caliber (“X-Caliber”), is a private capital focused nationally on Commercial Property Assessed Clean Energy (“C-PACE”) financing, program administration, asset management and servicing. www.castlegreenfinance.com
- X-Caliber Capital is an existing HUD approved lender comprised of 25 real estate professionals with expansion efforts consisting of niche public – private partnership lending platforms with a focus on ESG initiatives. www.x-calibercap.com
- CastleGreen is led by professionals with a strong history in creating and managing nationwide commercial real estate lending platforms for institutional lenders, as well as boutique platforms through several real estate cycles. This includes nearly four (4) years managing a C-PACE platform and over fifty (50) years combined commercial mortgage financing experience among its partners.
- CastleGreen is currently supported by an X-Caliber Investments fund with \$58 million of available equity capital that may be levered to provide over \$250 million of C-PACE financing power. Please reference the capital commitment letter provided with this package.
- CastleGreen has set up a special purpose entity called CastleGreen Services, LLC for the sole purpose of providing Program Administration and associated C-PACE servicing nationally. CastleGreen will enter into a subservicing agreement within its partnership with X-Caliber. X-Caliber maintains a current servicing portfolio of approximately \$700 million.
- In addition to the extensive infrastructure and servicing support from X-Caliber, CastleGreen has hired dedicated originators for the western and southeast regions and hired a transaction manager with experience managing the underwriting process, closing and asset management and disbursements for C-PACE transactions in California with CSCDA.
- CastleGreen shall submit its application to CSCDA with a dedicated C-PACE finance team to include the following external support groups:
 - ✓ Bond Counsel – Akerman LLP
 - ✓ Trustee – Wilmington Trust
 - ✓ Assessment Engineer – Edison Energy
 - ✓ Underwriting Support – CBRE Loan Services



C-PACE Platform Asset Focus

- CastleGreen will focus its financing efforts on C-PACE transactions of \$2 million and greater
- CastleGreen will offer a full product suite with the C-PACE statutes to provide C-PACE financing for the following:
 - ✓ Ground up construction
 - ✓ Seismic strengthening
 - ✓ Renovation and single measure replacements
 - ✓ Hotel rebranding and property improvement plans
 - ✓ Solar installations
 - ✓ Lookback / liquidity capital
- While we expect to gain competitive synergies by providing one stop shopping for multifamily, senior living and healthcare related assets through the CastleGreen / X-Caliber partnership, all asset types will be eligible for the CastleGreen C-PACE program consistent with the guidelines of their respective states. These include:
 - ✓ Multifamily
 - ✓ Office
 - ✓ Industrial
 - ✓ Retail
 - ✓ Hospitality
 - ✓ Senior Living
 - ✓ Hospitals and healthcare
 - ✓ Specialty Assets (Entertainment, health clubs, agriculture, EV stations, etc.)
- CastleGreen will drive product through its extensive relationships within the brokerage and lending communities, direct owners and developers and engineering and vendor contacts.



CastleGreen Leadership

Sal Tarsia – Co-Founder and Managing Partner

Sal Tarsia has over 25 years of experience in commercial real estate with specific expertise in structured lending and CMBS originations and underwriting, in addition to C-PACE financing. Prior to founding CastleGreen Finance, Mr. Tarsia ran the Principal Transactions group at Counterpointe Sustainable Real Estate, a Hannon Armstrong Company, where he managed all aspects of the C-PACE originations, underwriting and funding for ground up construction, adaptive reuse and heavy renovation projects. Prior to joining Counterpointe, Mr. Tarsia had co-founded Bedrock Capital Associates, a boutique, commercial real estate lending platform where he served as Head of Originations. Mr. Tarsia also served as Senior Vice President within Capmark Finance (formerly GMAC Commercial Mortgage), where he was co-head of Lending Operations, managing the New York office of Capmark's Proprietary Lending Group. He supervised a team of 22 originators, underwriters and support staff originating over \$15 Billion of CMBS, structured floating rate mortgages and subordinate debt on all commercial real estate asset types nationwide. Mr. Tarsia also held underwriting and asset management positions at Matrix Acceptance Corporation, a specialty lender, Sterling Financial Group, a low-income housing tax credit syndicator and Bogner Equities, a boutique lender and real estate owner. Mr. Tarsia received a BS in Finance / Management Information Systems from Albany University and a Master's degree from NYU's Real Estate Institute.

Chris Callahan – Co-Founder of CastleGreen; President and Chief Executive Officer of X-Caliber Capital.

Christopher Callahan has over 20 years of commercial and residential real estate industry experience. Over the course of his career, he and his team have provided over \$70 billion of capital to the multifamily & healthcare space, including the rate lock and purchase of the single largest HUD insured housing project, a \$621 million financing in the Bronx, NY. Prior to purchasing X-Caliber Capital, Mr. Callahan was a Managing Director and Head of Non-Agency and Agency CMBS and CLO trading at Credit Suisse. Mr. Callahan was a member of the Fixed Income Department Operating Committee and part of the Securitized Products leadership team. During his tenure, the Agency CMBS business was the #1 ranked franchise in securitization volume for five consecutive years, the Non-Agency CMBS business achieved a #1 ranking, and the CLO business achieved a top tier designation. Prior to Credit Suisse, Mr. Callahan was a Managing Director at Bank of America Merrill Lynch from 2005-2010, where he was Co-Head of the Agency and Non-Agency CMBS trading businesses. In this capacity, the group was the #1 franchise in both Non-Agency CMBS trading and Agency CMBS securitizations. Before joining Bank of America Merrill Lynch, Mr. Callahan was a Vice President and head of the Agency / Non-Agency CMBS trading group at Nomura Securities from 1996-2005. Previously, he was a senior member of the residential agency MBS trading desk. Mr. Callahan received a BS in Management / Finance from Binghamton University.



CastleGreen Team

Michael Spachman – Executive Director and Head of Western Region Originations

Michael Spachman has over 15 years of experience in the commercial real estate industry, primarily in the origination and underwriting of structured loans to include: bridge, C-PACE, CMBS, distressed debt, etc. Prior to joining CastleGreen Finance, Mr. Spachman led western region origination efforts for Bedrock Capital and CounterpointeSRE. Mr. Spachman also held various positions at Berkadia/Capmark (formerly GMACCM) in the disciplines of underwriting, originations and asset management. Mr. Spachman earned his undergraduate degree from Bucknell University as well as an MBA/MSIS from Boston University. Prior to his real estate career, Mr. Spachman served as a Captain in the United States Army serving for four years as an Artillery Officer.

Lance W. Haberin – Executive Director and Transaction Manager

Lance Haberin has over 30 years experience in various aspects of commercial real estate lending due diligence, closing and asset management. Prior to joining CastleGreen, Lance was the Transaction Manager at Counterpointe Sustainable Real Estate where he led the underwriting, closing and asset management and distribution functions of all the C-PACE transactions. These transactions comprised fee simple or leasehold ownership on ground up construction, transitional and rehabilitation investments for property owners. Mr. Haberin's previous years of commercial real estate experience was as a Senior Vice President for RBS Securities, Inc. focusing on the commercial real estate platform focusing on the financing line and asset management of originations in excess of \$1.8 billion of commercial real estate financing. Preceding RBS, Mr. Haberin was part of the Nomura Securities, Inc. commercial real estate lending platform focusing on lending, securitization and asset management. Lance earned a B.A. in Accounting from American International College - Springfield MA.

Scott Crimmins – Executive Director and Head of Southeast Region Originations

Scott Crimmins brings a collection of career experience in commercial real estate that spans 25 years across development, sales, underwriting, securitization and investment banking. Prior to joining CastleGreen, Mr. Crimmins was a Principal with RealtyLink Commercial, a development firm located in Charleston, South Carolina and before that he spent several years working on acquisitions with Schottenstein Realty in Miami. Mr. Crimmins started his career in CRE finance with Nomura Capital and went on to work with Capmark Finance (formerly GMAC Commercial Mortgage) for ten years originating bridge, CMBS and agency debt. Mr. Crimmins is a graduate of Northeastern University and is a licensed real estate broker in South Carolina.



CastleGreen C-PACE Asset Management and Servicing

- CastleGreen will enter into a subservicing agreement within its partnership with X-Caliber Capital to perform servicing for all C-PACE assets closed within the CastleGreen Services program.
- Although the inherent credit quality of PACE transactions combined with CastleGreen experience in due diligence and asset management limit the risk of a C-PACE bond becoming delinquent, the X-Caliber servicing group is well equipped to manage such events.
- The CastleGreen process for managing delinquencies begins with preventive and mitigation of such events through its asset management and monitoring efforts. These efforts, which begin with construction disbursement procedures, will be performed by CastleGreen staff with over 30 years experience in real estate construction lending. All transactions utilize third party construction management / monitoring firms in coordination with first mortgage lender partners to provide construction progress reports with each draw request. CastleGreen looks for risk indicators like construction delays and excessive change orders indicating the project may be over budget and/or off the initial business plan.
- Appropriate upfront capitalized interest and interest carry reserves are underwritten consistent with the business plan to further mitigate delinquencies during the construction period which is the time the overwhelming majority of such delinquency events occur.
- The X-Caliber servicing team currently manages a portfolio of \$700 million in combined bridge and HUD loans and implements delinquency procedures consistent with the stringent HUD guidelines and Multi-family Delinquency and Default Reporting Best Practices. These practices can readily be conformed and adapted to any PACE delinquencies as the familiarity in working with government agencies is already imbedded within the culture of the servicing team and the real estate expertise is consistent across the products.
- X-Caliber servicing / CastleGreen will report any delinquencies to the appropriate taxing authority, CSCDA, bond holder and first mortgage lender and help determine solutions, while maintaining the standards established by the statutes of the state of California and any ordinances of the local municipality. Such efforts may include participating in workout efforts with the first mortgage lender who will often be highly incented to “step in” to cure any tax delinquencies, include the delinquent C-PACE assessment payments.



C-PACE Finance Team for CastleGreen Program

Bond Counsel - Akerman LLP

CastleGreen proposes to engage Akerman LLP as bond counsel for its program within CSCDA. CastleGreen and X-Caliber leadership maintain long-standing relationships with partners within Akerman and have collectively closed over \$1 billion of real estate transactions with these relationships. Akerman is ranked as a top 100 law firm in the United State with over 700 professionals among 25 offices nationally. The Akerman Public Finance Group has over 40 years of experience advising municipal issuers, representing a diverse mix of clients including financial institutions, lenders, local governments, state agencies, special districts, underwriters, private borrowers, and trustees. Akerman has been bond counsel for Florida PACE Funding Agency “FPFA” PACE program since its first issuance in 2013. Among its 25 offices is a Los Angeles, CA office with over 40 lawyers with relevant specialties in real estate law, government affairs and financial services. The C-PACE program and the Los Angeles office of Akerman shall be further supported as bond counsel by Akerman’s Chair of Public Finance Practice, Peter Dame and his team. Mr. Dame is lead bond counsel for the FPFA program.

A full summary of Akerman’s experience in public finance and profiles of key personnel available upon request.

Trustee – Wilmington Trust

CastleGreen will engage Wilmington Trust as its trustee for the CSCDA PACE program, as well as on a national level for all its C-PACE product. Wilmington Trust is a Single A rated fiduciary firm with over 100 years experience. Wilmington is a leader in providing specialized trust services for capital markets financing structures with clients in all 50 states and 90 countries. Wilmington has over \$100 billion in deposits and is a well-known entity within the PACE community.

Assessment Engineer – David Taussig & Associates “DTA”

CastleGreen will utilize DTA for Assessment Engineering. DTA is headquartered in Newport Beach, CA and maintains three other offices in California, two in Texas and one in North Carolina. DTA has provided public finance consulting services to over 3,000 public and private sector clients. DTA has experience in the formation of over 2,000 local special districts and funding programs over the past 33 years, with bond authorizations exceeding \$60 billion. DTA is a well-known entity within CSCDA and has worked with CastleGreen management on over \$50 MM of C-PACE transactions in past positions.



Underwriting and Due Diligence Support

Energy Reporting & Consulting Services – Edison Energy

CastleGreen management has relied on Edison Energy for its C-PACE energy reporting over the last two years and plans to continue to depend on its energy efficiency expertise. Edison Energy is a subsidiary of Edison International (NYSE: EIX) with a market cap over \$22 billion. Edison Energy is located in Newport Beach, CA with offices in Mexico, Canada and the Netherlands. Edison has participated in over 600 million SF of facilities optimized through energy efficient projects and over 4.6 gigawatts of offsite renewable procurement. They provide energy optimization reporting, including ASHRAE level I, II and III energy audits. Edison has participated in approximately 200 C-PACE projects with C-PACE providers nationally. CastleGreen will engage Edison Energy for energy savings reports as well as seismic construction analysis.

Underwriting Support – CBRE

CastleGreen utilizes CBRE Loan Services for underwriting support to gain operational leverage. CBRE Loan Services is a wholly owned subsidiary of CBRE which maintains over 100,000 professionals in over 100 countries. Through the use of CBRE's Loan Services to perform underwriting and asset summary reporting, CastleGreen maintains the workforce of a Fortune 500 company without the need to carry the full-time personnel to perform the same functions. In addition, CastleGreen has access to the vast market research, valuation and technical knowledge of CBRE that could not be replicated.

Other Due Diligence Support

CastleGreen management also maintains long time relationships with appraisal firms (CBRE, Cushman & Wakefield, HVS) for valuation services and engineering firms (Property Solutions, IVI, EMG) for environmental surveys, construction reviews and property condition reporting services.





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X-CALIBER
CAPITAL



Agenda Item No. 5

Agenda Report

DATE: February 18, 2021
TO: Committee Members
FROM: James Hamill, Managing Director
PURPOSE: Consideration of Bayview Asset Management as a commercial Open PACE Program Administrator.

EXECUTIVE SUMMARY:

CSCDA received a proposal Bayview Asset Management (“Bayview”) for commercial PACE only program administrator under the CSCDA Open PACE program.

OVERVIEW:

Bayview

- Bayview consists of deep commercial loan experience across multiple platforms.
- Commercial PACE team lead by Anne Hill formerly of Stonehill PACE who have completed six commercial PACE transactions under Open PACE.
- Direct access to funding for commercial PACE transactions versus third-party warehouse lines of credit or equity lines.

Bayview exceeds all of the CSCDA Program Administrator requirements as outlined below:

1. Program administration contract with CSCDA;
2. Exclusively offer C-PACE through CSCDA only in California;
3. Minimum of \$25MM in capital available for financing C-PACE loans. Availability of capital needs to be evidenced by a capital commitment letter or letter of intent; **Bayview’s balance sheet currently exceeds \$16B.**
4. Minimum transaction size \$2MM;
5. C-PACE finance team established including bond counsel, assessment engineer and trustee;
6. Minimum 2 years of C-PACE or similar financing experience; **Bayview team has 3+ years’ experience in CPACE.**
7. Ability to manage delinquency of assessments.

8. Upon Commission approval of program handbook and documents, individual C-PACE transactions do not need to be approved by the CSCDA Commission.

Attachment A – Powerpoint Overview of Bayview

RECOMMENDED ACTION:

Recommend the approval of Bayview as a new commercial Open PACE Program Administrator.



Bayview Asset Management

Manager Overview – CSCDA Presentation

February 2021

Disclaimer

This presentation is provided for information purposes only and does not contain certain material information about the Funds (defined below) managed by Bayview Asset Management, LLC ("BAM" or together with its related companies, "Bayview" or the "Company"), including important disclosures and risk factors associated with an investment therein. This presentation is not intended to be, nor should it be construed or used as, an offer to sell or a solicitation of any offer to buy any securities, which offer may only be made at the time a qualified offeree receives a confidential private placement memorandum describing an offering (a "Memorandum"). In the event of any conflict between the information contained herein and the information contained in a Memorandum, the information in a Memorandum will control and supersede the information contained herein. The information contained herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice or investment recommendations. The recipient hereof should make an independent investigation of the information described herein, including consulting its own tax, legal, accounting and other advisors about the matters discussed herein.

This presentation includes certain statements, estimates, targets and projections provided by Bayview with respect to the Company's business. Such statements, estimates, targets and projections reflect significant assumptions and subjective judgments by the Company's management concerning anticipated results. These forward-looking statements are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Words like "believe," "expect," "anticipate," "plan," and other expressions or words of similar meanings, as well as future or conditional verbs such as "will," "would," "should," "could," or "may" are generally intended to identify forward-looking statements. The information contained herein is unaudited and subject to change. The data as presented has not been reviewed or approved by any party other than Bayview. The unaudited data is based on information available to Bayview as of December 31, 2020, unless otherwise noted, and contains certain estimates and assumptions that Bayview deems appropriate and may be revised as additional information becomes available.

Factors which could cause actual results to differ materially from historical results or those anticipated include, but are not limited to: competitive and general business, economic, market and political conditions in the United States and abroad from those expected; reduction in government support of homeownership; the level and volatility of interest rates; changes in interest rate paths; changes in generally accepted accounting principles or in the legal, regulatory and legislative environments in the markets in which the Company operates; different assets in a fund's portfolio; and the ability of management to effectively implement the Company's strategies.

The information included herein represents performance information of Bayview-managed funds and accounts ("Funds") and is historical information based on the investment strategy in effect during the specified time periods. In considering the prior performance information contained herein, recipients of this information should bear in mind that **past performance is not indicative of future results and there can be no assurance that the Funds will achieve comparable results or that substantial losses will not be incurred.** IRR (internal rate of return) is a method to analyze investments that accounts for the time value of money and represents the rate of return on a capital investment over a holding period expressed as a percentage of the investment. IRR (from the perspective of the investor) is generally defined as the discount rate that makes the net present value of cash outflows (the cost of their investment) equal the net present value of cash inflows (returns on their investment). The IRR is computed based on the effective date of capital contributions and capital distributions, if any, and the net asset value of the respective Funds' limited partners' capital accounts as of the date indicated herein, unless otherwise noted.

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Bayview Asset Management

Bayview Asset Management is an investment management firm focused on investments in credit, including whole loans, asset-backed securities, mortgage servicing rights, and other mortgage and consumer-related assets. As of December 31, 2020, Bayview managed approximately \$16.6 billion in AUM.

DEEP AND EXPERIENCED TEAM

- **Experienced senior management team with complementary skills and expertise.**
 - Long-tenured team of 17 Managing Director-level professionals with an average of 13 years at Bayview and affiliates and 25 years of industry experience.
 - Approximately 180 professionals dedicated to sourcing, pricing, trading, and analyzing mortgage and consumer-related investment opportunities.
 - Approximately 1,900 employees across investment management, loan servicing, and loan origination activities.
 - Headquartered in Coral Gables, Florida, with additional asset management offices in New York, London, and Geneva, and loan servicing and origination affiliates in seven U.S. states and Milan, Italy.

INTEGRATED PLATFORM

- **Fully integrated investment platform complemented by highly-rated loan servicer and robust mortgage originator.**
 - Investment platform built around teams in Research, Whole Loan Acquisition, MSRs, Structured Finance, Asset-Backed Securities, and Mortgage-Related Equities.
 - Community Loan Servicing (“CLS”), formerly known as Bayview Loan Servicing (“BLS”), is a highly-rated special servicer for residential and small balance commercial loans.
 - Since the first quarter of 2013, CLS and Lakeview Loan Servicing (“Lakeview”), a wholly-owned subsidiary of the Bayview MSR Fund, have originated over \$130 billion in UPB of agency and non-agency loans.

OPERATIONAL EXPERTISE

- **Bayview has a long track record of developing and operating businesses in heavily regulated financial services industries, such as investment advisory, loan servicing, loan origination, and insurance. Examples include:**
 - Bayview Italia, a 60-person mortgage servicer based in Milan, Italy.
 - Bayview’s 700-person U.S. mortgage origination business, which generates loans with approximately \$4 billion in UPB per month.
 - Silver Hill Funding, a 40-person small balance commercial real estate lender that has originated approximately \$840 million in UPB since 2016.
 - Oceanview, a life and annuity insurer and reinsurer licensed in the U.S. and Bermuda.
- Bayview has decades of experience creating financial services businesses and acting as a trusted adviser to banks, specialty finance firms, insurance companies, and asset managers on complex M&A and capital-related transactions.

Bayview's Operating Business Lines

Bayview's broad and deep credit acumen offers a unique perspective for investments in residential and commercial mortgages, asset-backed securities, mortgage servicing rights, and other mortgage and consumer-related assets.

BAM WHOLE LOAN PORTFOLIO MANAGEMENT AND SECURITIES INVESTING	<ul style="list-style-type: none"> Since 2007, Bayview has raised six series of opportunity funds, which are lock-up vehicles that invest primarily in mortgage credit, including whole loans, securitized products, and credit risk transfer. Currently, Bayview is investing BOF-VI, which has total commitments of approximately \$2.2 billion. Since February 2012, Bayview has managed separate accounts that have exposure to non-agency and agency RMBS, credit risk transfer securities, CMBS, CLOs, mortgage-related equities, and other mortgage and consumer-related assets. In April 2015, Bayview launched its first commingled fund with typical hedge fund liquidity to invest in these assets. Collectively, these four vehicles have AUM of approximately \$3.1 billion as of December 31, 2020.
CLS RESIDENTIAL AND COMMERCIAL SERVICING	<ul style="list-style-type: none"> Special servicing platform in operation since 1999 to minimize losses and drive higher returns on credit-sensitive assets. Over 500 employees in six locations across the U.S. service approximately 140,000 loans with approximately \$19 billion in UPB. Highly-rated residential special servicer and the only small balance commercial special servicer rated by S&P, Fitch, and Moody's. CLS has helped over 200,000 individual customers avoid foreclosure.
CLS/LAKEVIEW RESIDENTIAL ORIGINATIONS	<ul style="list-style-type: none"> Since the first quarter of 2013, CLS and Lakeview, a wholly-owned subsidiary of the Bayview MSR Fund, have originated over \$130 billion in UPB of agency and non-agency loans. Approved pipeline of approximately 500 correspondent sellers and 719 brokers. Lakeview is a partner for Housing Finance Agencies throughout the U.S., including CalHFA, Texas State Affordable Housing Corporation, Washington State Housing Finance Commission, and the Delaware State Housing Authority.
SILVER HILL FUNDING/BCMF /CPACE COMMERCIAL ORIGINATIONS	<ul style="list-style-type: none"> From 2000 to 2007, our wholesale and retail channels funded over \$9 billion of small balance commercial mortgage loans. In 2007 alone, Bayview affiliates funded approximately \$3.1 billion in UPB. Silver Hill provides an alternative to bank financing that is ideal for strong borrowers who can document their income. Bayview Commercial Mortgage Finance ("BCMF") sources transactions through mortgage brokers and directly with borrowers to originate large balance commercial mortgages, including CMBS loans. Bayview launched our Commercial PACE (CPACE) lending platform in 2021.
LAKEVIEW MSR ACQUISITIONS	<ul style="list-style-type: none"> The Bayview MSR Fund has acquired MSRs on over \$560 billion of agency loans since inception, and its portfolio currently includes active MSRs on approximately \$325 billion in UPB. Lakeview has closed on forward MSR flow transactions with over 100 sellers.
OCEANVIEW CREDIT INVESTMENTS THROUGH LIFE INSURER	<ul style="list-style-type: none"> Oceanview Life and Annuity Company, an affiliate of Bayview Opportunity Fund V, leverages Bayview's origination and securities investment platform to source and create assets for the balance sheets of Oceanview Life and its Bermuda reinsurer affiliate, Oceanview Reinsurance Ltd. A.M. Best assigned Oceanview Life and Annuity Company and Oceanview Reinsurance Ltd. an "A-" (Excellent) rating, with stable outlook, reflecting its opinion of the companies' financial strength.

Note: Unless otherwise noted, data as of December 31, 2020.

Commercial PACE (CPACE) Loans

Bayview believes it is well positioned to finance Commercial PACE loans. To support this strategic initiative, the Firm will leverage its long track-record as an investor in commercial loans and operational expertise through the connection to Bayview’s servicing and origination businesses.

- Bayview can provide multiple funding options for CPACE Loans across Bayview-managed funds, including Bayview Opportunity Fund VI, Bayview’s flagship opportunity fund and Oceanview, a life and annuity insurer and reinsurer licensed in the U.S. and Bermuda.

INTEGRATED PLATFORM	<ul style="list-style-type: none"> Silver Hill Funding is a small balance commercial real estate lender offering financing on CRE, including multifamily, office, and retail property types. To date, Silver Hill has originated approximately \$840 million in UPB since 2016. Bayview Commercial Mortgage Finance sources transactions through mortgage brokers and directly with borrowers to originate large balance commercial mortgages, including CMBS loans. To date, BCMF has originated approximately \$115 million in UPB since 2018.
EXPERTISE	<ul style="list-style-type: none"> Proven history of successful investing and securitization expertise across a wide range of opportunities in the mortgage and consumer credit sectors. Senior staff with decades of experience at leading consumer credit lender. Bayview has expanded its institutional knowledge of consumer lending by hiring a senior executive with extensive experience in Consumer PACE loans. <ul style="list-style-type: none"> Anne Hill leads Bayview’s efforts in the Commercial PACE business. Ms. Hill has been active in the CPACE space since 2014, having originated and closed over \$250 million of CPACE transactions, including over \$100 million in California through CSCDA . Prior to joining Bayview, Ms. Hill was President of Stonehill PACE, where she started the Commercial PACE program and was responsible for all aspects of CPACE offerings, including originations, execution, program compliance, securitization, and ongoing servicing.



BAYVIEW EDGE

- ✓ **Proprietary borrower data** derived from \$325 billion mortgage portfolio of the Bayview MSR Fund, which represents approximately 1.8 million borrowers.
- ✓ **28-person research team**, including four Ph.D.s, provide superior analysis of consumer credit data.
- ✓ **Sourcing capabilities** through Bayview’s sales team. Longstanding relationships with the largest lenders in the U.S. allows us to more easily obtain lender consent.
- ✓ **CRE valuation expertise** and relationships with mortgage brokers through large and small balance originators.
- ✓ **Expertise in loan servicing** and ongoing/post-issuance compliance through Community Loan Servicing, a highly-rated residential and small balance commercial servicer.
- ✓ **Securitization experience:** As of December 31, 2020, Bayview entities had issued over 170 ABS transactions since 1998, backed by over \$54 billion of performing, sub-performing, re-performing, and non-performing residential, commercial, and unsecured consumer loans.

Community Loan Servicing

Community Loan Servicing will be responsible for ongoing reporting, servicing and administration of delinquent CPACE loans.

<p>PRINCIPAL MINDSET</p>	<ul style="list-style-type: none"> ▪ CLS originally serviced only Bayview’s loans and has maintained that approach for all loans it services. <ul style="list-style-type: none"> ▪ Focus on compliance and investment performance. ▪ Low loan-to-employee ratio enables focus on high-touch, time-intensive loss mitigation activities that avoid foreclosure and maximize portfolio value. Also allows CLS to absorb additional loans and consistently maintain a strategic buffer.
<p>EXPERIENCED STAFF</p>	<ul style="list-style-type: none"> ▪ Over 500 employees in six locations across the U.S. serviced approximately 140,000 commercial and residential loans with approximately \$19 billion in UPB as of December 31, 2020. <ul style="list-style-type: none"> ▪ Average industry experience of CLS asset management staff is approximately 20 years. ▪ Employee screening process identifies candidates with skills and experiences we believe are key to being successful employees.
<p>ADVANCED TECHNOLOGY</p>	<ul style="list-style-type: none"> ▪ CLS uses robust technology that facilitates more effective and accurate loan servicing. <ul style="list-style-type: none"> ▪ CLS leverages the latest contact center software to drive right party contact. Further, CLS offers an enhanced customer experience through its interactive voice response software to allow for a high percentage of callers to self-serve. ▪ A team of developers and engineers oversee CLS’s proprietary View system (powered by Pega) – a state-of-the-art workflow – as well as an IBM Optical Character Recognition document management platform, and robotic process automation for more accurate administration and loss mitigation. ▪ CLS uses the industry-standard MSP from Black Knight® as its system of record, facilitating smooth transfers from other servicers with near-zero downtime. Since its inception, CLS has completed over 7,000 distinct transfer events.
<p>FOCUS ON FORECLOSURE ALTERNATIVES</p>	<ul style="list-style-type: none"> ▪ CLS takes a multi-faceted approach to avoid typical foreclosure losses. <ul style="list-style-type: none"> ▪ CLS continually implements strategies to maintain or return loans to cash-flowing assets, including early intervention triggers that identify loans at risk of pre-default, proprietary and GSE streamline modification programs, and property-value-based “cash-for-keys” programs.
<p>OPERATIONAL RISK MANAGEMENT</p>	<ul style="list-style-type: none"> ▪ CLS employs robust compliance practices and undergoes third-party validation, including state and federal regulatory evaluations. <ul style="list-style-type: none"> ▪ CLS is an approved servicer by both Fannie Mae and Freddie Mac. ▪ CLS’s internal controls are certified by independent auditors to be USAP, REG AB – Section 1122, and SSAE 16 (SAS 70) compliant.

- **DAVID ERTEL, CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Mr. Ertel co-founded Bayview in 1993 and is responsible for strategy and overall asset management of the firm. Mr. Ertel manages many of the firm's largest mortgage industry relationships and is Chairman of the Investment Committee. Bayview Asset Management is an investment management firm focused on investments in credit, including whole loans, asset-backed securities, mortgage servicing rights, and other mortgage and consumer-related assets. As of November 30, 2020, the firm managed approximately \$16.9 billion in AUM. Mr. Ertel previously was an associate in the Financial Institutions Department of Salomon Brothers Inc. Mr. Ertel attended the Wharton School at the University of Pennsylvania, where he earned a Master of Business Administration degree in 1988, as well as a Bachelor of Science in Economics degree with a concentration in Finance in 1987, graduating Magna Cum Laude.

- **RICHARD O'BRIEN, CO-CHIEF OPERATING OFFICER**

Mr. O'Brien is Bayview's Co-Chief Operating Officer and previously served as President of Bayview Loan Servicing (BLS) from early 2009 to mid-2020. Mr. O'Brien joined Bayview in 1997 as a Vice President and a Transaction Manager in the Mortgage Investment Division, became a Senior Vice President of Bayview and BLS in 2002 where he was responsible for the entire BLS servicing operation, and later became a Managing Director of Bayview and BLS in 2003. Prior to joining Bayview, Mr. O'Brien was a Transaction Manager for Ocwen Federal Bank, where he was directly involved in the acquisition and servicing of non-performing residential mortgages. Mr. O'Brien began his career in mortgage servicing at Shawmut Mortgage Company. Mr. O'Brien earned a Bachelor of Science degree in Finance from Bryant University.

- **GREG GEILING, CO-CHIEF OPERATING OFFICER**

Mr. Geiling joined Bayview in 2020 as Co-Chief Operating Officer. Prior to joining Bayview, Mr. Geiling was a Senior Managing Director of The Blackstone Group, where he served as Head of the Hedge Fund Solutions Special Situation Investing Group. In this role, Mr. Geiling was a member of the Investment Committee for the Blackstone Strategic Opportunity Fund (BSOF) and Blackstone Alternative Asset Management (BAAM). Prior to joining Blackstone in 2011, Mr. Geiling was a Portfolio Manager at Duquesne Capital Management, overseeing investments in technology, media, and telecoms. Mr. Geiling started his career in the Equity Research Department of J.P. Morgan, where he was responsible for several technology industry segments, including wireline equipment, wireless equipment, and data networking. Mr. Geiling was ranked each year (from 1997-2002) on the Institutional Investor All-American Research Team for his coverage of several technology sectors, including being ranked the #1 analyst on Wall Street covering the telecommunications equipment industry. After Chase Manhattan acquired J.P. Morgan, Mr. Geiling was promoted to the role of Chief Technology Strategist. Mr. Geiling earned a Bachelor of Science degree in Finance from Lehigh University.

- **ANNE HILL, SENIOR VICE PRESIDENT**

Ms. Hill leads Bayview's efforts in the Commercial PACE business. Ms. Hill has been active in the CPACE space since 2014, having originated and closed over \$250 million of CPACE transactions. Prior to joining Bayview, Ms. Hill was President of Stonehill PACE, where she started the Commercial PACE program and was responsible for all aspects of CPACE offerings, including originations, execution, program compliance, securitization, and ongoing servicing. Prior to entering the CPACE industry, Ms. Hill led Murphy Company, one of the largest commercial mechanical design build contractors in the U.S. Under Ms. Hill's leadership, Murphy Company built a platform to provide financing, leasing, and construction services for numerous energy efficiency projects. Ms. Hill earned an AB in Architecture from Princeton University and an MBA from Stanford University.

Other Core Professionals

▪ **SEAN O'NEIL, CHIEF FINANCIAL OFFICER**

Mr. O'Neil is Bayview's Chief Financial Officer. Mr. O'Neil joined Bayview in 2015 as the Chief Financial Officer for Bayview Loan Servicing (BLS). Prior to joining Bayview, Mr. O'Neil was the Group Financial Officer for Wells Fargo, Eastern Community Bank, where he was responsible for financial reporting and controls, as well as revenue and expense initiatives for the Eastern half of Wells Fargo's retail and small business banking activities. Prior to this role, Mr. O'Neil was the Chief Financial Officer for Wachovia's Wealth Management Group. Before joining Wachovia, Mr. O'Neil was a senior manager at Boston Consulting Group, where he worked with financial services companies in Europe and North America. Mr. O'Neil began his career as a submarine officer in the U.S. Navy, and earned a Master of Business Administration degree from Harvard Business School and a Bachelor of Science degree in Mechanical Engineering from Pennsylvania State University.

▪ **BRIAN E. BOMSTEIN, GENERAL COUNSEL**

Mr. Bomstein is Bayview's General Counsel and Chief Legal Officer. Mr. Bomstein joined Bayview in 1999. Mr. Bomstein is head of the legal department, which is responsible for all legal matters concerning Bayview and its affiliates, including overall corporate issues, investment management, financing, servicing, legal risk, regulatory matters, human resources issues, litigation, M&A, and transaction matters. Mr. Bomstein is also responsible for the firm's investment advisory legal compliance matters. Prior to joining Bayview, he was corporate counsel with a national, publicly-owned real estate development company. During his legal career in-house and in private practice, Mr. Bomstein represented developers, builders, lenders, as well as public and private companies in many aspects of real estate, financing, securities transactions, and corporate matters. Mr. Bomstein earned a Bachelor of Arts degree from Vanderbilt University and a Juris Doctor degree, Cum Laude, from the University of Miami School of Law. Mr. Bomstein is a member of the Florida, New York, and Texas Bars.

▪ **CARLOS M. PORTUGAL, CHIEF COMPLIANCE OFFICER**

Mr. Portugal joined Bayview in November 2014 and is responsible for Bayview Asset Management's compliance program in connection with its status as an investment adviser. Mr. Portugal was previously a Senior Special Counsel with the U.S. Securities and Exchange Commission (SEC), where he focused on advancing international coordination on regulatory and enforcement matters. Prior to the SEC, Mr. Portugal practiced law at White & Case LLP and Arnold & Porter LLP, where he counseled clients on compliance with U.S. securities, banking and international trade laws, and represented public and private companies in capital markets transactions and business combinations. Mr. Portugal earned his undergraduate degree from the University of Michigan and graduated, Summa Cum Laude, from the University of Miami School of Law. After law school, Mr. Portugal served as a judicial law clerk for Senior Judge Peter Fay of the U.S. Court of Appeals for the Eleventh Circuit. Mr. Portugal is a member of the District of Columbia and Florida Bars.



Agenda Item No. 6

Agenda Report

DATE: February 18, 2021
TO: Committee Members
FROM: James Hamill, Managing Director
PURPOSE: Consideration of updates to Open PACE Handbook.

EXECUTIVE SUMMARY:

The foundational requirements of CSCDA's Open PACE program are outlined in the Open PACE Handbook. After reviewing the Handbook the following changes are recommended.

1. Remove list of all Open PACE providers. Since CSCDA is adding new administrators the intent is to keep the generic versus specific.
2. Allow for variable rate financings for commercial PACE only projects. This request by providers has been reviewed and approved by all CPACE counsel. This will not be permitted for residential PACE.
3. Change contact from Laura Labanieh to James Hamill.

Attached is redline of the changes. The changes have been reviewed by Jones Hall, Orrick and Stradling who all act as CSCDA Open PACE counsel.

RECOMMENDED ACTION:

Recommend update be approved and submitted to the Commission for final approval.

California Statewide Communities Development Authority

Open PACE Program Report

~~March 15, 2018~~ March 4, 2021 (Updated)

1. Introduction

The California Statewide Communities Development Authority (“CSCDA”) has established the CSCDA Open PACE Program for the benefit of its county-members (including any incorporated city within those counties) and the cities in Los Angeles County that are members of CSCDA (Los Angeles County is not currently a member of CSCDA). This CSCDA Open PACE Program Report (this “Program Report”) outlines the basic design and financing structure of a property assessed clean energy (“PACE”) municipal financing program called the CSCDA Open PACE Program (the “Open PACE Program” or “Program”).

CSCDA anticipates that there will be multiple program administrators engaged to independently administer and provide financing under the Open PACE Program. Separate Program Handbooks will provide additional details about how the Open PACE Program will operate in respect of a particular program administrator.

1.1 California Statewide Communities Development Authority

The California Statewide Communities Development Authority (“CSCDA”) is a statewide joint powers authority sponsored by the California State Association of Counties and the League of California Cities. CSCDA’s mission is to provide local governments access to low-cost financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities.

1.2 Purpose of the Open PACE Program

CSCDA is offering the Open PACE Program on a statewide basis to encourage the installation of distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, seismic strengthening improvements and electric vehicle charging infrastructure within the existing residential and non-residential building stock. CSCDA will issue assessment-backed bonds that will allow property owners to access competitive interest rates offered by the capital markets.

With the passage of AB 32, the State of California (the “State”) set ambitious goals for reducing carbon emissions and building alternative energy use. The California Public Utilities Commission has set a goal of retrofitting over 13 million residences in the State to be at least 30% more energy efficient. Many California cities and counties have also set their own greenhouse gas reduction targets. Similarly, water conservation efforts, including the promotion of water-related improvements to residential, commercial, industrial, or other real property, are necessary to address the issue of chronic water shortages in the State.

Property owners can help to achieve greenhouse gas reductions and reduce water use and, at the same time, save money by investing in distributed generation renewable energy sources, energy efficiency, and/or water efficiency improvements. The number one barrier to achieving these goals is the large upfront cost. Utilities sell power and water to their customers as a simple pay-as-you-go service. Homes and businesses can be converted to clean energy and reduce water use quickly, but many believe that it can happen only if paying for distributed generation renewable energy sources, energy efficiency improvements and water efficiency improvements becomes simple – like paying a utility bill. The Open PACE Program can make this happen.

Many cities and counties in the State have begun screening properties in their jurisdictions for deficient wood frame construction (“Soft Story”) and enacting mandatory seismic retrofit ordinances to address these problems. The Open PACE Program can provide property owners with an efficient means to finance these seismic retrofits and comply with local law.

1.3 Assessment Financing; Contractual Assessments

The Open PACE Program uses a tool that is widely used by local agencies in California to finance public benefit projects: land-secured financing. State law has long provided cities and counties with the power to issue bonds and levy assessments on the county property tax bill to finance public projects such as sewers, parks, and the undergrounding of utilities.

Chapter 29 of the Improvement Act of 1911, commencing with Section 5898.10 of the Streets & Highways Code of the State ("Chapter 29"), authorizes the levy of "contractual assessments" to finance the installation of distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, seismic strengthening improvements, and electric vehicle charging infrastructure that are permanently fixed to real property.

A "contractual assessment" is an assessment that is levied by contract, between a public agency and property owner, pursuant to Chapter 29. A draft form of assessment contract is attached to this Program Report as Exhibit A (the "Assessment Contract"). The Assessment Contract is strictly voluntary and will be executed by each participating property owner and CSCDA.

Under the Open PACE Program, a contractual assessment lien is placed on each participating property in an amount necessary to (i) finance the installation of authorized renewable energy, energy efficiency, water efficiency, seismic strengthening or electric vehicle charging infrastructure improvements over a 5-39 year period of time, depending upon the expected useful life of the financed improvements, (ii) pay for costs of issuing bonds (including funding a reserve fund, if required), and (iii) pay the costs of administering the Open PACE Program. The contractual assessment installments are collected on the property tax bill of the county in which the participating property is located. If the owner sells the property, the contractual assessment obligation remains an obligation of the property.

Under the Open PACE Program, if a property owner fails to pay the annual contractual assessment installments, CSCDA is obligated to strip the delinquent installments off the property tax bill and commence judicial proceedings to foreclose the lien of the delinquent installments.

All property owners participating in the Open PACE Program need to consult their private lenders to determine that the execution of the Assessment Contract will not violate their existing loan agreements. Property owners may wish to obtain written consent or affirmative acknowledgement of existing lenders whose consent or affirmative acknowledgement is required for further encumbrance. The Open PACE Program's consent or affirmative acknowledgement requirement, if any, will be detailed in the Program Handbooks.

The Open PACE Program is completely voluntary, and property taxes for properties that do not choose to participate are completely unaffected by the Open PACE Program. Individual contractual assessments are not affected by other properties participating in the Open PACE Program.

1.4 Purpose of This Program Report

This Program Report constitutes the report required pursuant to Section 5898.22 of Chapter 29 for the Open PACE Program. The Open PACE Program will be offered throughout the State to owners of property that is located within the boundaries of:

- a. the unincorporated territory of a county that is a member of CSCDA, and the board of supervisors of that county has adopted an authorizing resolution in compliance with applicable law;
- b. the incorporated territory of a city located within a county that is a member of CSCDA, and the legislative body of the city has adopted an authorizing resolution in compliance with applicable law; or
- c. a city in Los Angeles County, and the legislative body of the City in Los Angeles County has adopted an authorizing resolution in compliance with applicable law.

1.5 Program Administration and Underwriting

CSCDA has engaged third-party administrators to administer the Open PACE Program, ~~including Alliance NRG Program (CounterPointe Energy Solutions (CA) LLC), PACE Funding Group LLC, CaliforniaFirst (Renew Financial Group LLC), CleanFund Commercial PACE Capital and Spruce Pace LLC (the "Administrators"), and it will administer certain projects itself, working directly with third-party capital providers.~~ The Administrators, ~~as applicable,~~ will review and process applications, train contractors and provide customer service through a website, email, and a toll-free phone number. ~~A list of the current Administrators can be requested from the individual identified in Section 6.~~

2. Program Requirements

This Program Report identifies the Open PACE Program requirements relating to the types of improvements that can be financed under the Open PACE Program, eligible properties and financing parameters.

2.1 Eligible Products

The Open PACE Program offers financing of the installation of only approved distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, seismic strengthening improvements and electric vehicle charging infrastructure improvements that will be permanently fixed to real property (“Eligible Products”).

The Open PACE Program will offer financing for a number of eligible equipment types, energy efficiency measures, water efficiency/conservation improvements, solar systems, seismic strengthening improvements and other innovative, energy-saving, water saving, and energy generation custom products for residential and commercial property owners as specified in the applicable Program Handbook.

Minimum energy efficiency specifications are set at EnergyStar, California Title 24 and Title 20, and WaterSense standards, as applicable. Efficiency standards will “ratchet-up” with EnergyStar, WaterSense, California Title 24 and Title 20 standards, or other new standards as may be appropriate and as agreed upon by the applicable program administrator.

Any solar PV system must be eligible for and participate in CSI or an equivalent utility rebate program, unless the property is not connected to the electricity grid or such utility rebate program is not available.

Property owners are responsible for installation, operation and maintenance of the Eligible Products installed as a result of their participation in the Open PACE Program. Property owners must address performance and other system-related issues directly with the contractor according to the terms of the contract between the property owner and the contractor. The Open PACE Program is a financing program only. Neither CSCDA nor its employees or agents are responsible for the Eligible Products or their performance.

2.2 Property Eligibility Criteria

In order to receive financing from the Open PACE Program, the property to be assessed and its owners must meet the following basic requirements. Details on the criteria are provided in the Program Handbooks; the criteria may be modified from time to time by the program administrators (without action by the Commission of CSCDA) in order to conform to changes in law, emerging best practices or otherwise deemed appropriate but the criteria must at all times be in compliance with applicable law.

- a. **Applicant.** Applicant(s) must be the property owner(s) of record.
- b. **Address.** The applicant’s property must be located within the boundaries of a jurisdiction that has authorized the Open PACE Program to operate within its boundaries as described in Section 1.4 of this Program Report.
- c. **Involuntary Liens.** The property must not be subject to involuntary liens, judgments or defaults or judgments in excess of the amount identified in the applicable Program Handbook.
- d. **Property Taxes.** The property owners must be current on their property taxes within the time period specified in the applicable Program Handbook.
- e. **Mortgage Debt.** The mortgage debt on the property must not exceed that certain percentage of the value of the property as set forth in the applicable Program Handbook and as required by State law.
- f. **Annual Property Taxes.** The total annual property tax and assessments, including the contractual assessment, on the property must not exceed 5% of the property’s market value, as determined at the time of approval of the Assessment Contract and as required by State law.
- g. **Bankruptcy.** The property owner must not have declared bankruptcy within the time period specified in the applicable Program Handbook and as required by State law.

2.3 Eligible Contractors

The cost of installation of Eligible Products shall be eligible to be financed under the Open PACE Program only if such installation is completed by a contractor that is registered with the Open PACE Program or by the property owner if self-installing such Eligible Products. A list of contractors that are registered with the Open PACE Program shall also be located on the Open PACE Program Administrator’s website. Registration of a contractor with the Open PACE Program is neither a recommendation of such contractor nor a guaranty of or acceptance of responsibility for such of such contractors by CSCDA or any of its Administrators or the City or County in which the property upon which the Eligible Products are installed is located, any of their respective officers, employees nor agents and none of CSCDA, or

its Administrators or the City or County in which the property upon which the Eligible Products are installed is located or any of their respective officers, employees or agents have any responsibility whatsoever for the selection by a property owner of a registered contractor or the work performed by such registered contractor.

2.4 Quality Assurance/Consumer Protection

Quality assurance protocols serve to prevent improper or low-quality installation of energy and water improvements and protect against fraud and abuse in the Open PACE Program. The Open PACE Program will institute a quality assurance protocol. All quality assurance procedures are subject to review and adjustment based on applicable State and federal standards. Details on the current quality assurance procedures are outlined in the applicable Program Handbook and adopted by the CSCDA Commission. Despite the presence of these protocols and procedures, the responsibility for the successful operation of any products is that of the property owner and its contractor, and not of CSCDA, its Administrators or the City or County in which the property upon which the Eligible Products are installed is located, including their respective officers, agents or employees.

3. Financing of the Open PACE Program

3.1 Minimum and Maximum Financing Amounts

Maximum Financing Amount for the Open PACE Program. The maximum aggregate dollar amount of the principal component of contractual assessments to be levied under the Open PACE Program is \$41 billion, subject to increase if there is sufficient demand.

Minimum and Maximum Financing Amounts for Each Property. The minimum and maximum financing amount for a single property is defined in the Program Handbooks.

3.2 Financing Structure

CSCDA will finance the installation of Eligible Products by issuing bonds backed by the assessments created by the Open PACE Program. The proceeds from the sale of the bonds will provide capital for the Open PACE Program to finance the Eligible Products. The financing or refinancing of Eligible Products may be in the form of paying for the ownership of the Improvements or, subject to the requirements of Chapter 29, paying or prepaying for the energy or other output of the Improvements, which Improvements may be owned for tax purposes or otherwise by a third-party.

3.3 Overview of Application and Financing Process

Applications from property owners for financing will be considered on a first come, first served basis. If an authorized maximum amount is exceeded, then the last property that caused the authorization amount to be exceeded will be ineligible for financing.

Sample Residential Application and Financing Process

Education. Property owners visit the Open PACE Program Administrator website to learn about the Open PACE Program, financing terms and other details, and find approved contractors and products.

Application. Property owners may complete an application over the phone, mail, fax or on-line. Completed applications must include a proposed project and contractor bid. Property owners must agree to the Open PACE Program terms as part of the application.

Review and Approval. The Open PACE Program Administrator performs title search to confirm ownership, screens for unpaid taxes or other delinquent property-based debt, applies loan-to-value metrics, and evaluates the proposed project. CSCDA will approve an application only after confirming that the property meets the underwriting criteria and other Open PACE Program requirements as outlined in this Program Report and the applicable Program Handbook.

Reservation. If CSCDA approves an application, the Open PACE Program will provide a Notice to Proceed to the property owner. The property owner has a specific period of time to install the Eligible Products and to request funding when the property has met all the applicable requirements for funding.

Installation. A qualified contractor must complete the installation of Eligible Products on the property. See "Eligible Products" and "Eligible Contractors" in the applicable Program Handbook.

Financing. Once a project is complete, the property owner submits a Completion Certificate, a lien is placed on the property, a bond is issued, and payment is released to the payment designee; however, where identified in the applicable Program Handbook, progress payments in the form of multiple disbursements may be arranged.

Repayment. The property owner will be expected to pay the contractual assessment installments in the amounts and at the times specified in the Assessment Contract. In general, the contractual assessments will be due at the same time as property taxes.

Sample Non-Residential Application and Financing Process

Education. Property owners visit the Open PACE Program Administrator web site to learn about the Open PACE Program, financing terms and other details, and find approved contractors and products. Additional information will be provided to non-residential property owners to determine that they meet the eligibility requirements outlined in the applicable Program Handbook.

Application. Property owners will complete an application over the phone, mail, fax or on-line. Applications must include a proposed project and contractor bid. Property owners must agree to the Open PACE Program terms as part of the application.

Review and Approval. The Open PACE Program performs title work to confirm ownership, screens for unpaid taxes or other delinquent property-based debt, applies loan-to-value metrics, and evaluates the proposed project. CSCDA will approve an application only after confirming that the property meets the underwriting criteria and other Open PACE Program requirements as outlined in this Program Report the applicable Program Handbook.

Reservation. If CSCDA approves an application, the Open PACE Program will provide a notice to proceed to the property owner. The property owner has a specific period of time to install the Eligible Products and request funding when the property has met all the applicable requirements for funding.

Installation. A qualified contractor must complete the installation of Eligible Products on the property. See Eligible Products” and “Eligible Contractors” in the applicable Program Handbook.

Financing. Once a project is complete, the property owner submits a Completion Certificate, a lien is placed on the property, a bond is issued, and payment is released to the payment designee; however, where identified in the applicable Program Handbook, progress payments in the form of multiple disbursements may be arranged.

Repayment. The property owner will be expected to pay the contractual assessment installments in the amounts and at the times specified in the Assessment Contract. In general, the contractual assessments will be due at the same time as property taxes.

3.4 Application; Approval or Denial

Application. All property owners interested in applying to the Open PACE Program must submit a signed application along with other application documents.

Approval or Denial. Based on the eligibility requirements listed in the applicable Program Handbook, CSCDA will approve or deny a residential or non-residential application within the specific time periods identified in the applicable Program Handbook. The applicant will be notified of approval or denial via email. See “Consumer Protection” in Section 4.

3.5 Costs of Issuance and Administrative Costs

The costs of issuing bonds and administering the Open PACE Program will be financed through participant application fees, proceeds of the financing, and an administrative component of the contractual assessment installments.

Financing of Upfront Costs. In addition to financing installation of the Eligible Products, CSCDA may finance certain costs of issuance and administrative costs, including but not limited to, the following amounts, which amounts may be included in the Assessment:

- **Program-Related Fees.** These include closing fees paid from a portion of bond proceeds to CSCDA, any other entities responsible for program management and administration, and bond counsel to CSCDA, as well as any other related costs of issuance of any bond.
- **Lien Recording Fee.** This one-time fee is paid from a portion of bond proceeds to cover the cost associated with recording the lien of the Assessment on the participating property.
- **Reserve Fund Deposit.** This is a one-time deposit from a portion of bond proceeds into a debt service reserve fund for bonds issued by CSCDA to finance installation of the Eligible Products on the property and other properties participating in the Open PACE Program.

- **California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA”) PACE Loss Reserve Program Fee.** This is a one-time fee associated with the CAEATFA PACE Loss Reserve Program, which benefits any first mortgage lender on the property and other properties participating in the Open PACE Program. The fee will be paid from a portion of bond proceeds. This fee only applies to residential financing.
- **Deposit to Administrative Expense Fund for Foreclosure Expenses.** This is a one-time deposit from a portion of bond proceeds into an account that CSCDA may use to pay for the costs of foreclosing on the property and other properties participating in the Open PACE Program as a result of a delinquency in the payment of any contractual assessment installments or administrative expenses.
- **Capitalized Interest.** Each county establishes a deadline for placing contractual assessment installments and related administrative expenses on the county’s tax roll each year. Depending on the date that CSCDA issues a bond to finance installation of Eligible Products on a particular property in relationship to the applicable tax roll deadline of the county in which the related participating property is located a portion of the proceeds of the bond may be used to fund the payment of one or more interest payments on the bond.

Administrative Expenses. Pursuant to the 1915 Act (including Sections 8682(b) and 8682.1(a)), CSCDA may add annual amounts to any Financing Installment in order to pay for the costs of collecting that installment and administering the Open PACE Program.

3.6 Amounts That Can Be Financed

Financing Cost. In order to receive funding, property owners will agree to pay annual assessment installments in an amount equal to (i) a portion of the principal amount of the contractual assessment (ii) interest on the unpaid principal amount of the contractual assessment, and (iii) ongoing administrative expenses.

1. Principal Amount. The principal amount of the contractual assessment may be composed of various costs and deposits including, but not limited to, the following items:

- Eligible Costs.** The Open PACE Program may finance the costs of installing Eligible Products, energy-efficiency or water-efficiency audit costs, and related professional services fees for engineering, project management and financing transaction structuring. All local and state rebates received for the project must be deducted from the financed amount prior to approval. The amount of the federal Investment Tax Credit (ITC) that the property may be eligible to receive does not need to be deducted from the financed amount.
- Deposit to a Debt Service Reserve Fund.** CSCDA or project investors may require property owners to finance a deposit to a debt service reserve fund; the reserve fund would be used to pay debt service on the bonds in the event of contractual assessment installment delinquencies. The amount of the deposit to a debt service reserve fund will be provided in the applicable Program Handbook.
- Deposit to CAEATFA Loss Reserve Fund.** The Open PACE Program may participate in the California Alternative Energy and Advanced Transportation Finance Authority’s Loss Reserve Program that will reimburse mortgage holders on losses experienced as a result of the Open PACE Program lien on foreclosed properties. The amount of the deposit to the Loss Reserve Fund will be provided in the applicable Program Handbook.
- Deposit to Administrative Expense Fund for Foreclosure Expenses.** CSCDA may require property owners to finance a deposit to an account that will cover CSCDA’s costs to initiate judicial foreclosure for properties that are delinquent on payment of their assessment contract. The amount of such deposit will be provided in the applicable Program Handbook.
- Capitalized Interest.** Because each county has established a deadline for placing the contractual assessments on its property tax bill, the principal component of the contractual assessment may also include the interest on the related bonds for one or more interest payment dates.
- Costs of Issuance and Administrative Costs.** Initial administrative costs and the costs of issuing any bonds are built into the principal component of the contractual assessment. The costs to be included in the principal component are provided in the applicable Program Handbook. See Costs of Issuance of Administrative Costs in Section 3.5.

2. Interest Rate. ~~The~~ To the extent required by law, the rate of interest on the contractual assessments for residential properties with fewer than four units will be a fixed interest rate, and ~~t~~—The rate will be fixed at the time of a completed application for each assessment contract. Interest rates for non-residential properties and residential properties with four or more units may vary by agreement of the property owner and lender.

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3. Ongoing Program Administrative Fees. Ongoing administrative costs are reflected in the administrative component of the annual contractual assessment installments and subject to increase by CSCDA. See “Costs of Issuance and Administrative Costs” in Section 3.5.

3.7 Payment Terms

Payment of the Open PACE annual contractual assessment installments is made through the addition of a line item on the property tax bill. Payment terms range from five to 39 years, depending on the average expected useful life of the installed Eligible Product.

Contractual assessments may be prepaid in full or in part at any time and may or may not be subject to a prepayment penalty. The prepayment penalty will be identified in the Assessment Contract.

3.8 Transfer or Resale of Property

The contractual assessment obligation remains an obligation of the subject property following the sale of the subject property. Successor property owners will receive disclosure of the contractual assessment as a result of the two statutory notices recorded in the real property records: the “Notice of Assessment” and the “Payment of Contractual Assessment Required.” In addition, sellers of property are obligated by California law to disclose the contractual assessment obligations to prospective purchasers.

4. Consumer Protection

The Open PACE Program is subject to certain State and federal laws designed to protect consumers. Among other things, these laws require CSCDA to disclose information to property owners and, only during the three-day period following execution of the Assessment Contract, guarantee certain residential property owners the right to rescind the Assessment Contract without penalty (including the return of the application fee, if applicable). CSCDA will comply with all applicable State and federal laws in connection with the Open PACE Program.

5. Duration

The Open PACE Program will continue as long as there is sufficient demand and there is a positive regulatory environment.

6. Public Agency Official

CSCDA will, from time to time, authorize certain representatives to execute Assessment Contracts on its behalf; the current authorized representative(s) are:

Name: [Laura](#)

[Labanieh](#)/[James Hamill](#)

Title: Authorized Signatory

Email:

laura@esaefc.org/jhamill@cscda.org

Address: 1100 K Street, Suite 100
Sacramento, CA 95814

7. Changes to the Report

CSCDA may make changes to this Report and the other Open PACE Program documents from time to time in its absolute discretion. No such changes will affect the amounts payable by a property owner under an existing Assessment Contract.

8. Program Handbooks

CSCDA has prepared Program Handbooks to communicate the Open PACE Program details to property owners and other interested parties. The Program Handbooks will be amended from time to time to reflect the details of the Open PACE Program.

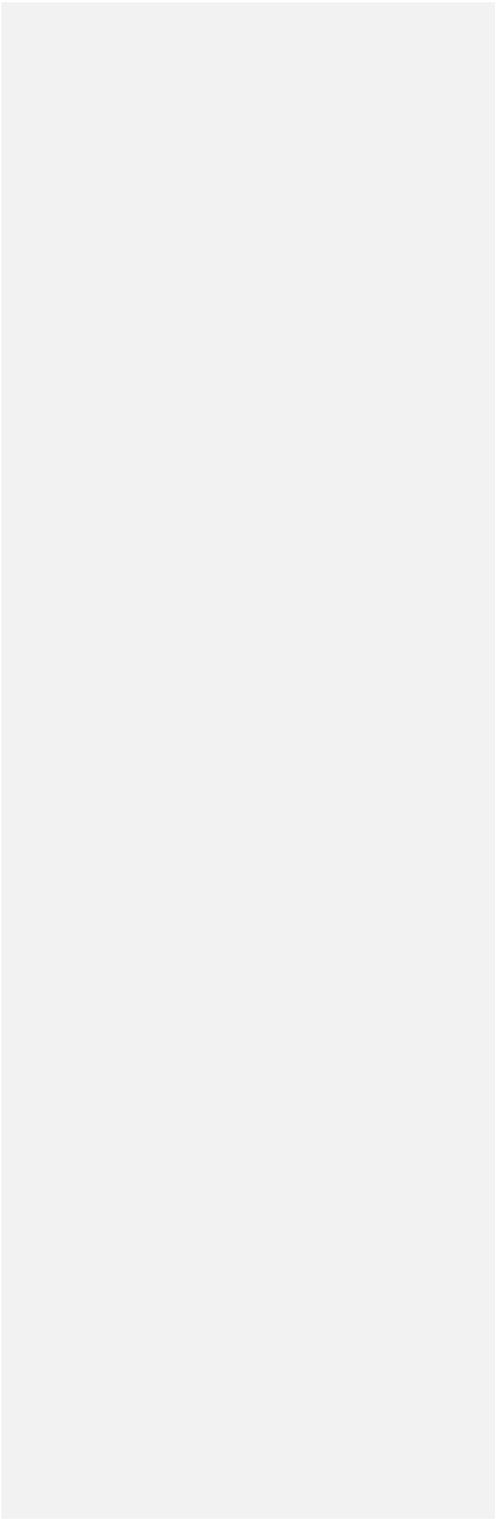
9. Schedules and Exhibits

Schedule I: List of County-Members

Schedule II: List of City-Members Within Los Angeles County

Exhibit A: Form of Assessment Contract

Exhibit B: Open PACE Program Boundary Maps



SCHEDULE I
LIST OF COUNTIES

Alameda	Placer
Alpine	Plumas
Amador	Riverside
Butte	Sacramento
Calaveras	San Benito
Colusa	San Bernardino
Contra Costa	San Diego
Del Norte	San Francisco
El Dorado	San Joaquin
Fresno	San Luis Obispo
Glenn	San Mateo
Humboldt	Santa Barbara
Imperial	Santa Clara
Inyo	Santa Cruz
Kern	Shasta
Kings	Sierra
Lake	Siskiyou
Lassen	Solano
Madera	Sonoma
Marin	Stanislaus
Mariposa	Sutter
Mendocino	Tehama
Merced	Trinity
Modoc	Tulare
Mono	Tuolumne
Monterey	Ventura
Napa	Yolo
Nevada	Yuba
Orange	

SCHEDULE II

LIST OF CITIES WITHIN LOS ANGELES COUNTY

Agoura Hills	Gardena	Paramount
Alhambra	Glendale	Pasadena
Arcadia	Glendora	Pico Rivera
Artesia	Hawaiian Gardens	Pomona
Avalon	Hawthorne	Rancho Palos Verdes
Azusa	Hermosa Beach	Redondo Beach
Baldwin Park	Huntington Park	Rolling Hills Estates
Bell	Industry	San Dimas
Bell Gardens	Inglewood	San Gabriel
Bellflower	La Mirada	San Marino
Beverly Hills	La Verne	Santa Clarita
Burbank	Lakewood	Santa Fe Springs
Calabasas	Lancaster	Santa Monica
Carson	Lomita	South Gate
Claremont	Long Beach	South Pasadena
Commerce	Los Angeles	Temple City
Compton	Lynwood	Torrance
Covina	Maywood	Vernon
Cudahy	Monrovia	Walnut
Culver City	Montebello	West Covina
Downey	Monterey Park	West Hollywood
Duarte	Norwalk	Westlake Village
El Monte	Palmdale	Whittier
El Segundo	Palos Verdes Estates	

EXHIBIT A
FORM OF ASSESSMENT CONTRACT
[ATTACHED]

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

This Assessment Contract (this "Contract") is made and entered into as of **this__day of__** , 20__, by and between the California Statewide Communities Development Authority (the "Authority"), and the record owner(s), _____ (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 CSCDA Open PACE Program (the "Program") to allow the financing or refinancing of certain distributed generation renewable energy sources, energy efficiency improvements , water efficiency improvements, seismic strengthening improvements, electric vehicle charging infrastructure and such other work, infrastructure or improvements as may be authorized by law from time to time that are permanently fixed to real property (the "Authorized Improvements") through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the Streets & Highways Code ("Chapter 29") and the issuance of improvement bonds under the Improvement Bond Act of 1915 (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 (the "ParticipatingEntity"); and

WHEREAS, the Authority has appointed _____ , as a program administrator (together with any successors or assigns, the "Program Administrator") for the Program as it pertains to this Contract; 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 Program and (ii) the Authority conducting assessment proceedings under Chapter 29 and issuing bonds under the 1915 Act to finance or refinance the Authorized Improvements; and

WHEREAS, pursuant to Chapter 29, the Authority and the Property Owner wish to enter into a contract pursuant to which the Property Owner would agree to pay an assessment in order to finance or refinance the installation of the Authorized Improvements described in Exhibit A (the "Improvements") and the Authority 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 or refinancing the installation of the Improvements identified 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; Non-Completion Assessment

(a) **Payment of Assessment.** The Property Owner hereby freely and willingly agrees to pay the assessment set forth on Exhibit B (the "Assessment"). The Authority will not provide financing in an amount in excess of the Assessment. 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 or refinance the installation of the Improvements. Except as otherwise set forth in this Contract, the Assessment will be paid in the installments set forth in Exhibit B.

(b) **Administrative Expenses.** The Property Owner hereby acknowledges that, pursuant to the 1915 Act, including Sections 8682(b) and 8682.1(a), the Authority may add amounts to an annual installment of the Assessment in order to pay for the costs of collecting the Assessment, the annual administration of the Assessment, the annual administration of bonds secured by the Assessment and other administrative costs (the "Annual Assessment Administrative Fee").

(c) **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 (a) the amount of any delinquent installments of principal or interest on the Assessment, together with penalties accrued to the date of prepayment, plus (b) the whole or, subject to the minimum amount set forth in this subsection, a portion of the unpaid non-delinquent principal of the Assessment (the "Assessment Prepayment Amount"), plus (c) 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, plus (d) an amount equal to the redemption premium, if any, necessary to redeem the principal amount of bonds corresponding to the amount of the Assessment Prepayment Amount, plus (e) a reasonable fee, if charged by the Authority or Program Administrator, for the cost of administering the prepayment and the redemption of bonds.

(d) **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 Improvements fail to perform in any way or for any reason, the bonds secured thereby are refunded or for any other reason.

Section 4. 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 Assessment Administrative Fee shall constitute a lien against the Property until they are paid and shall be collected and, as set forth in Chapter 29, such lien shall be coequal to and independent of the lien for general taxes.

The Property Owner acknowledges that if any Assessment installment is not paid when due, the Authority has the right to have such delinquent installment and its associated penalties and interest stripped off the secured property tax roll and immediately enforced through a judicial foreclosure action that could result in a sale of the Property for the payment of the delinquent installments, associated penalties and interest, and all costs of suit, including attorneys' fees. The Property Owner acknowledges

that, if bonds are sold to finance the Improvements, the Authority may pledge and assign this Contract and the related Assessment and lien as security for the bonds and 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 5. Financing or Refinancing of the Improvements.

(a) **Contract to Finance or Refinance Improvements.** The Authority hereby agrees to use the Assessment, together with the Annual Assessment Administrative Fee, to finance or refinance the Improvements, including the payment of the Authority's reasonable costs of administering the Program, subject to the Property Owner's compliance with the conditions for such financing or refinancing established by the Authority. Such financing or refinancing may be in the form of paying for the ownership of the Improvements or, subject to the requirements of Chapter 29, paying or prepaying for the energy or other output of the Improvements, which Improvements may be owned for tax purposes or otherwise by a third-party.

(b) **Assessment Installments.** The Property Owner agrees to the issuance of bonds by the Authority to finance or refinance 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 sole discretion that the Assessment installments may be reduced because the applicable interest rate on the bonds issued to finance or refinance 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. The Authority's determination shall be final and conclusive.

Section 6. 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 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 7. 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 8. Notice. To the extent required by applicable Law, the Property Owner hereby agrees to provide written notice to any subsequent purchaser of the Property of the obligation to pay the Assessment pursuant to this Contract.

Section 9. 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 Program. The Property Owner hereby agrees that the Property Owner and its successors in interest to fee title in the Property shall be solely responsible for the installation, operation and maintenance of the Improvements . The Property Owner hereby acknowledges that the Property will be responsible for payment of the Assessment regardless of whether the Improvements are properly installed, operated, maintained or perform as expected.

The Property Owner hereby agrees that the Authority is entering into this Contract solely for the purpose of assisting the Property Owner with the financing or refinancing of the installation of the Improvements, and that the Authority and the Participating Entity has no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing, maintenance or performance 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, program administrators, attorneys, representatives and successors and assigns of the Authority and the Participating Entity from any and all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees), relating to the subject matter of this Contract that the Property Owner may now have or hereafter acquire against the Authority, the Participating Entity and any and all agents, employees, program administrators, attorneys, representatives and successors and assigns of the Authority or the Participating Entity.

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

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

BY INITIALING BELOW, OWNER HEREBY WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE MATTERS WHICH ARE THE SUBJECT OF THE FOREGOING WAIVERS AND RELEASES.

Property Owner 1 Initials:

Property Owner 2 Initials:

Property Owner 3 Initials :

Property Owner 4 Initials:

The waivers, releases and agreements set forth in this Section 9 shall survive termination of this Contract.

Section 10. Indemnification. The Property Owner agrees to indemnify, defend, protect, and hold harmless the Authority, the Participating Entity and any and all agents, employees, program administrators, attorneys, representatives and successors and assigns of the Authority or the Participating Entity, from and against all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) and any demands of any nature whatsoever related directly or indirectly to, or arising out of or in connection with (i) the Property Owner's participation in the Program, (ii) the Assessment, (iii) the Improvements, or (iv) any other fact, circumstance or event related to the subject matter of this Contract, regardless of whether such losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) accrue before or after the date of this Contract.

The provisions of this Section 10 shall survive the termination of this Contract.

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

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

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

Section 14. Amendment. Except as set forth in Section 5(b), this Contract may be modified only by the written agreement of the Authority and the Property Owner.

Section 15. Binding Effect Assignment. This Contract inures to the benefit of and is binding upon the Authority, the Property Owner and their respective successors and assigns. The Authority has the right to assign any or all of its rights and obligations under this Contract without the consent of the Property Owner. The Authority intends to delegate certain of its functions under this Contract to the Program Administrator and may pledge and assign this Contract to a trustee as security for the bonds issued to finance or refinance the Improvements. 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 16. Exhibits. Exhibits A and B attached to this Contract are incorporated into this Contract by this reference as if set forth in their entirety in this Contract.

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

Section 18. Corrective Instruments. The Authority and the Property Owner 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 19. Governing Law: Venue. This Contract shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in the State of California. This Contract shall be enforceable in the State of California, and any action arising hereunder shall (unless waived by the Authority in writing) be filed and maintained in the Superior Court of California, County of Sacramento; provided, however, that actions to foreclose delinquent installments of the Assessment will be filed and maintained in the Superior Court of California in the County identified in Exhibit A

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

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

Section 22. Electronic Signatures.

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

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

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

Section 23. Contract Documents. Property Owner understands and acknowledges that the entire agreement between Property Owner and the Authority includes each and every document specified in the List of Documents contained in Exhibit B 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 of the Authority that 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 Program Handbook (as defined in Exhibit B to this Contract, the "Program 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 Program Handbook.

Prior to executing this Assessment Contract I have read and understand (a) the Property Owners Acknowledgments and Disclosures contained in the (a) Application, (b) this Assessment Contract, (c) the Privacy Notice and (d) the Program Handbook

Owner(s) must execute and return this Contract to the Authority at the address set forth in the "Notice Information" section of Exhibit A hereto so that it is received by the Authority not later than _____. If the Property Owner(s) fail to return the signed Assessment Contract to the Authority by the indicated date, the Program reserves the right to require the Property Owner(s) to enter into a new Contract. All signatures of the Owner(s) must be notarized by a duly licensed notary unless all Owner(s) have previously successfully completed the identity verification process approved by the Authority.

IN WITNESS WHEREOF, the Authority and the Property Owner have caused this Contract to be executed in their respective names by their duly authorized representatives, all as of the Effective Date.

The "Effective Date" is defined as the last date entered with the signatures of the parties below.

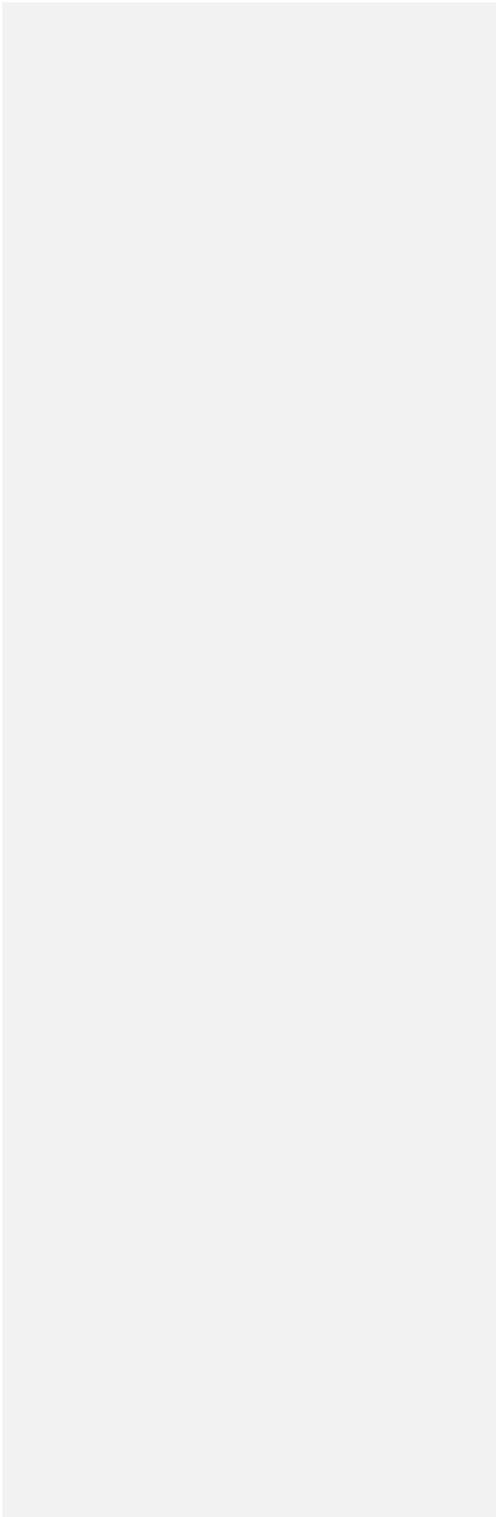


EXHIBIT A

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

Description of Property:

Property Owner(s) Name(s):

Property Address:

APN:

Participating Entity:

County:

Description of Improvements:

The Improvements include the following:

Notice Information:

[Open PACE Program Notice Information]

[Property Owner Notice Information]

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;
- The Application;
- The Completion Certificate;
- The Assessment Cost and Payment Summary;
- The Notice of Assessment;
- The Payment of Contractual Assessment Required;
- The Program Handbook (____ Program), Version __, dated ____ ; and
- The Program website located at _____

Disbursement:

The Maximum Disbursement Amount is \$____ _

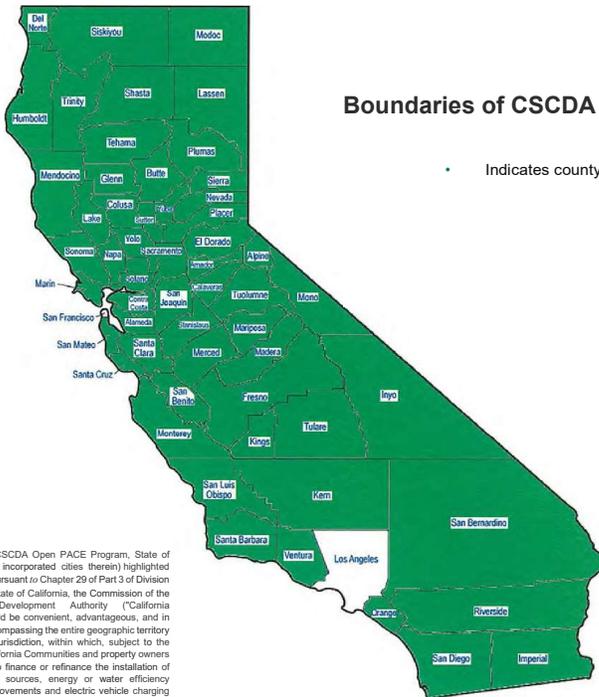
The Estimated Disbursement Date(s) will be no later than _____, which date(s) are used in the table below.

Schedule of Estimated Maximum Annual Assessment Installments:

The schedule of the estimated maximum Annual Assessment Installments is based on the following assumptions:

1. The Authority disburses the Maximum Disbursement Amount.
2. Interest totaling a maximum of \$____ will accumulate until your first Payment. That amount will be added to the Maximum Disbursement Amount.
3. The Authority disburses [the Maximum Disbursement Amount] [\$____] on [each of the Estimated Disbursement Date(s)].
4. The Assessment Interest Rate is ____%.
5. The Annual Percentage Rate (APR) of your assessment is ____%. APR is the Effective Cost of Credit in consumer loans and real estate loans expressed as a percentage interest rate. The annual percentage rate is the interest rate the borrower actually pays, including fees required in order to participate in the Program .
6. The total administrative fees, recording fees and other fees and costs added to your assessment is \$____ _

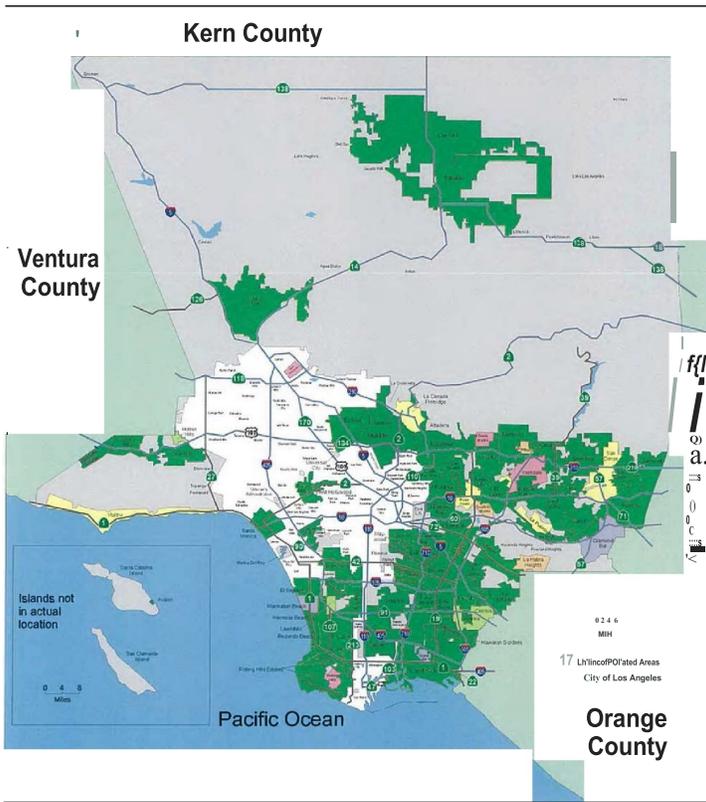
EXHIBIT B
OPEN PACE PROGRAM BOUNDARY MAPS
[ATTACHED]



Boundaries of CSCDA Open PACE Program

- Indicates county members of CSCDA

This map shows the boundaries of the CSCDA Open PACE Program, State of California, within the counties (including the incorporated cities therein) highlighted in green (each, a "Covered Jurisdiction"). Pursuant to Chapter 29 of Part 3 of Division 7 of the Streets & Highways code of the State of California, the Commission of the California Statewide Communities Development Authority ("California Communities") has determined that it would be convenient, advantageous, and in the public interest to designate an area encompassing the entire geographic territory within the boundaries of each Covered Jurisdiction, within which, subject to the consent of the legislative body thereof, California Communities and property owners may enter into contractual assessments to finance or refinance the installation of distributed generation renewable energy sources, energy or water efficiency improvements, seismic strengthening improvements and electric vehicle charging infrastructure that are permanently fixed to real property.



Boundaries of CSCDA Open PACE Program

This map shows the boundaries of the CSCDA Open PACE Program, State of California, within the cities colored in green herein (each, a "Covered Jurisdiction"). Pursuant to Chapter 29 of Part 3 of Division 7 of the Streets & Highways Code of the State of California, the Commission of the California Statewide Communities Development Authority ("California Communities") has determined that it would be convenient, advantageous, and in the public interest to designate an area encompassing the entire geographic territory within the boundaries of each Covered Jurisdiction, within which, subject to the consent of the legislative body thereof, California Communities and property owners may enter into contractual assessments to finance or refinance the installation of distributed generation renewable energy sources, energy or water efficiency improvements, seismic strengthening improvements and electric vehicle charging infrastructure that are permanently fixed to real property.