

Support Material Agenda Item No. 11

General Policy Committee

August 10, 2016

10:00 a.m.

Location:

SANBAG

First Floor Lobby

Santa Fe Depot, 1170 W. 3rd Street
San Bernardino, CA

Discussion Calendar

Council of Governments

11. Changes to the Commercial HERO Program Adding Renovate America, Inc.

That the General Policy Committee recommend the Board approve Resolution No. 17-003 authorizing changes to the Commercial HERO Program administered for San Bernardino Associated Governments (SANBAG) by adding Renovate America, Inc.

Duane Baker

The attachments listed below are being provided separately for your information:

- *SAMAS Commercial Program Report*
- *HERO Commercial Program Application*
- *SANBAG HERO Commercial Program Assessment Contract*
- *SANBAG HERO Commercial Handbook*



PROGRAM REPORT

SAN BERNARDINO ASSOCIATED GOVERNMENTS

SANBAG HERO PROGRAM REPORT HISTORY

- ORIGINALLY APPROVED BY THE SANBAG BOARD OF DIRECTORS ON MARCH 6, 2013.
- JULY 10, 2014 – AMENDED BY SANBAG BOARD OF DIRECTORS BY ADOPTION OF RESOLUTION No. 13-087 TO EXPAND THE PROGRAM AREA TO INCLUDE THE CITIES OF NEEDLES, REDLANDS AND UPLAND AND THE TOWN OF APPLE VALLEY.
- JULY 2, 2014 – AMENDED BY SANBAG BOARD OF DIRECTORS BY ADOPTION OF RESOLUTION No. 14-028 TO EXPAND THE PROGRAM AREA TO INCLUDE THE CITY OF BARSTOW.
- NOVEMBER ____, 2014 – AMENDED BY EXECUTIVE DIRECTOR PURSUANT TO RESOLUTION No. 13-044 TO MODIFY THE RESIDENTIAL HERO PROGRAM ASSESSMENT CONTRACT FOUND IN APPENDIX E.
- JULY __, 2016 – AMENDED BY SANBAG BOARD OF DIRECTORS TO CHANGE THE “COMMERCIAL HERO PROGRAM” TO “SAMAS COMMERCIAL” AND TO AUTHORIZE RENOVATE AMERICA, INC. TO ADMINISTER AND FINANCE A PROGRAM FOR COMMERCIAL PROPERTIES TO BE KNOWN AS THE “HERO COMMERCIAL PROGRAM”

TABLE OF CONTENTS

I	PROGRAM INTRODUCTION	2
1.1	Purpose of the HERO Program	2
1.2	HERO Financing	3
1.3	Purpose of the Program Report	3
II	RESIDENTIAL AND COMMERCIAL PROGRAM REQUIREMENTS	5
2.1	Eligible Property Owners and Eligible Properties	5
2.2	Eligible Products, Contractors and Costs	5
III	CONSULTATION WITH THE COUNTY AUDITOR-CONTROLLER'S OFFICE.	8
IV	APPEAL PROCESS	8
V	TRACKS FOR PARTICIPATION	8
5.1	Water Conservation/Efficiency	8
5.2	Energy Efficiency	8
5.3	Renewable Energy	8
5.4	Custom Projects	9
VI	PROGRAM PARAMETERS	9
6.1	Minimum Energy Financing Amount and Duration of Assessment	9
6.2	Maximum Portfolio	9
6.3	Assessment Interest Rate	9
6.4	Property Assessment Lien	9
6.5	Delinquent Assessment Collections	10
VII	THE FINANCIAL STRATEGIES	10
VIII	GLOSSARY OF TERMS	11
	APPENDIX A ELIGIBLE PRODUCTS	15
	APPENDIX B MAP OF SANBAG PROGRAM AREA	16
	APPENDIX C RESIDENTIAL PROPERTIES PROGRAM APPLICATION	17
	APPENDIX D DRAFT SAMAS COMMERCIAL PROPERTIES PROGRAM APPLICATION	2120
	APPENDIX E DRAFT HERO COMMERCIAL PROPERTIES PROGRAM APPLICATION	276
	APPENDIX F DRAFT ASSESSMENT CONTRACTS	

I PROGRAM INTRODUCTION

This SANBAG HERO Program Report (this "Program Report") provides an overview of a property assessed clean energy ("PACE") municipal financing program called the SANBAG HERO Program (the "Program") for the San Bernardino Associated Governments ("SANBAG").

A Residential Program Handbook and a Commercial Program Handbook (collectively, the "Handbooks") are incorporated by reference into this Program Report and supplement and provide further details on the Program.

1.1 PURPOSE OF THE PROGRAM

The San Bernardino Associated Governments ("SANBAG") is making the Program available to every city in San Bernardino County (the "County") and to San Bernardino County that elect to participate in the Program to encourage installation of distributed generation renewable energy sources and energy efficiency and water efficiency improvements and electric vehicle charging infrastructure for residential and commercial property owners. SANBAG has partnered with Renovate America, Inc. and SAMAS Capital to make the Program available to all participating cities and the County. Within the Program, SANBAG has authorized the establishment of the HERO Residential Program to be administered and financed by Renovate America, Inc. to finance the installation of eligible improvements on residential properties. SANBAG has also authorized the establishment of separate commercial programs to finance the installation of eligible improvements on commercial properties: the HERO Commercial Program to be administered and financed by Renovate America, Inc. and the Samas Commercial Program to be administered and financed by Samas Capital, Inc.

The Program is an economic development program available at no cost to the participating cities and the County. The Program finances improvements which decrease energy usage, create clean renewable energy, or decrease water consumption. In addition to these direct benefits, the Program helps create local jobs, save money, increase property values and lower greenhouse gas emissions.

The original HERO residential program was launched in western Riverside County in December 2011, and has received several awards across the state. The SANBAG HERO Residential Program for residential properties and the Samas Commercial Program for commercial properties launched in December 2013. The HERO Commercial Program for commercial properties launched in August 2016..



Southern California Association of Governments
2012 President's Award for Excellence (Highest Honor)
<http://www.compassblueprint.org/toolbox/videos/12awards/wrcog>



U.S. Green Building Council

2012 Best Residential Partnership Program in California

<http://www.usgbc.org/ShowFile.aspx?DocumentID=18852>



Urban Land Institute
2012 Best of the Best

1.2 ***HERO FINANCING***

In July, 2008, the California Legislature approved and Assembly Bill 811 was enacted to amend Chapter 29 of the Improvement Act of 1911 (Streets and Highways Code Section 5898.12 and following) (“Chapter 29”), authorizing cities and counties to establish voluntary contractual assessment programs to fund an array of conservation and renewable energy projects proposed by property owners. Assembly Bill 474 was subsequently enacted in 2009 to further amend Chapter 29 to add water efficiency improvements to the list of eligible improvements. Finally, SB 1340 was enacted in 2010 to amend Chapter 29 to authorize the installation of electric vehicle charging infrastructure.

Under the Program, a contractual assessment is entered into between the property owner and SANBAG. Participation by a property owner in such a contractual assessment is 100% voluntary. The contractual assessment is memorialized in a contract between the participating property owner and SANBAG (an “Assessment Contract”). The separate forms of Assessment Contract for residential properties, i.e., a property developed for a single family home or fewer than four (4) residential dwelling units (“Residential Properties”), or commercial properties, i.e., all non-residential properties, including apartment buildings with five (5) units or more (“Commercial Properties”), are set forth in substantially the forms attached to this Program Report as Appendix E. The amount of the contractual assessment is equal to the cost to pay for the eligible improvements (“Eligible Products”), the costs to pay for the issuance of the bonds that will finance the Program, and the costs to administer the Program. Like most assessments, the amounts are billed and collected on the County property tax bill. If the property subject to a contractual assessment is sold, the obligation to make the remaining payments on the assessment may remain on the property or may be paid off when the primary mortgage is refinanced or when the property is sold. Additionally, if a property owner fails to pay the annual contractual assessment installments, SANBAG is obligated to strip the delinquent installments off the property tax bill and commence judicial proceedings to foreclose the lien of the delinquent installments. This is an expedited procedure that can result in the public sale of such a delinquent property in less than a year. This process is disclosed to the property owner in the applicable Assessment Contract.

1.3 ***PURPOSE OF THE PROGRAM REPORT***

This report is prepared pursuant to Sections 5898.22 and 5898.23 of the California Streets and Highways Code in connection with the establishment of the Program. This document, together with separate handbooks for the HERO Residential Program, the HERO Commercial Program and the Samas Commercial Program (each, a “Handbook” and collectively, the “Handbooks”), establish the parameters of the Program applicable to residential and commercial properties, respectively, and the requirements for property owner participation in the Program and fulfills the requirements of Sections 5898.22 and 5898.23.

II RESIDENTIAL AND COMMERCIAL PROGRAM REQUIREMENTS

This section identifies the Program requirements relating to improvements made on Residential Properties and Commercial Properties.

2.1 ELIGIBLE PROPERTY OWNERS AND ELIGIBLE PROPERTIES

In order for properties to be eligible to participate in the Program, the applicant must meet the eligibility requirements listed below. The Handbooks provides additional detail on each criteria.

- 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 the Program. If a property is located in a city, the city must enter into a memorandum of understanding with SANBAG authorizing SANBAG to offer the Program within its boundaries. If a property is located within the unincorporated territory of the County, the County must enter into a memorandum of understanding with SANBAG authorizing SANBAG to offer the Program within such unincorporated territory. A map showing areas within which the Program may be offered is attached hereto as Appendix B.
- c. Property Taxes. The property owners must be current on their property taxes within the time period specified in the applicable Handbook.
- d. 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 Handbook.
- e. Mortgage Debt. The mortgage debt on the property must not exceed a certain percentage of the value of the property as set forth in the applicable Handbook.
- 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.
- g. Bankruptcy. The property owner must not have declared bankruptcy within the time period specified in the applicable Handbook.

2.2 ELIGIBLE PRODUCTS, CONTRACTORS AND COSTS

Eligible Products

Property owners are solely responsible for installation, operation, and maintenance of the Eligible Products installed on their property. Property owners must address performance and other system-related issues directly with the contractor installing the Eligible Products according to the terms of the contract between the property owner and the contractor. The Program is a financing program only. Neither SANBAG, the city or the County in which the property is located, nor their employees or agents are responsible for selection of the Eligible Products, their installation or their performance.

The Program affords property owners the opportunity to take advantage of a wide range of eligible renewable energy, energy-saving, and water conservation/efficiency products that are included among the Eligible Products, consistent with the following provisions:

- a. The Program is intended principally to encourage the adoption of renewable energy, energy efficiency and water efficiency measures.
- b. The Program provides financing only for Eligible Products that are permanently affixed to real property.
- c. The Program provides financing only for Eligible Products specified in Appendix A of this Program Report. The list of Eligible Products may be updated from time to time and will also be published in the Handbooks. Broadly, the Eligible Products include:
 - a. Water Conservation/Efficiency
 - b. Energy Efficiency Eligible Products
 - c. Renewable Energy Systems
 - d. Electric Vehicle Charging Infrastructure
 - d. Custom Products
- d. The property owner must ensure that any and all permits and inspections required by the jurisdiction within which such property is located for the installation of the Eligible Products are obtained.
- e. Financing is also available for projects that combine Eligible Products, such as bundling of water conservation/efficiency, energy efficiency, and renewable energy improvements. For instance, a property owner may choose to replace an aging and inefficient furnace, install weather stripping, install low flow toilets, and install a photovoltaic system as part of a single project.

Contractors

The cost of installation of Eligible Products shall be eligible to be financed under the Program only if such installation is completed by a contractor that is registered with the Program or by the property owner if self-installing such Eligible Products. A list of contractors that are registered with the Program shall be located on the Program website. Registration of a contractor with the Program is neither a recommendation of such contractor nor a guaranty of or acceptance of responsibility for work of such contractor by SANBAG, Renovate America or Samas Capital or the officers, employees or agents of such entities. Neither SANBAG, Renovate America, Samas Capital, their officers, employees nor agents any have responsibility whatsoever for the selection by a property owner of a registered contractor or the work performed by such registered contractor.

Improvement Costs

Eligible costs of the improvements include the cost of equipment and installation of such equipment. Installation costs may include, but are not limited to, energy and water audit consultations, labor, design, drafting, engineering, permit fees, and inspection charges. Eligible costs do not include labor costs for property owners that elect to do the work themselves.

Property owners who elect to engage in broader projects – such as home or business remodeling – may only receive Program financing for that portion of the cost of retrofitting existing structures with Eligible Products. Repairs and/or new construction do not qualify for Program financing except to the extent that

the construction is required for the installation of approved Eligible Products. Repairs to existing infrastructure, such as water and sewer laterals, are considered repairs and are not eligible.

Program staff will evaluate conditions in the construction and installation market for the proposed Eligible Products, including the pricing of Eligible Products, and may require the property owner to obtain additional bids to determine whether costs are reasonable. While the property owner may choose the contractor, the amount available for financing may be limited as set forth in the applicable Handbook.

Administrative Costs/Fees

The Program will cover all or a portion of its costs of establishing the Program; processing, reviewing and approving a property owner's application; processing the Assessment Contract and other related financing and contract documents and issuing the bonds that will finance the Program through an expense component to be added to the amount of the financing request as set forth in the applicable Handbook. In addition, there may be other costs that are not covered in the expense component and will be borne by the property owners as set forth in the applicable Handbook. These costs may include:

- a. Application Fee. An application fee may be required. The owner may not include this cost in the financing request. Except as otherwise provided in applicable federal or state law, the application fee is nonrefundable, unless the property owner is deemed ineligible in which case the unused portion of the application fee may be prorated.
- b. Title and Recording Costs. Title and recording costs, including title insurance, where required, may be paid by the property owner.
- c. Permitting Costs. Property owners are required to verify whether or not a permit and/or inspection are required by the participating jurisdictions in which such owner's property is located. Any such permit and/or inspection costs will be initially paid by the property owner or contractor but are an eligible cost to include in the financing.
- d. Ongoing Administration Costs. Annual assessment administration, collection, County treasurer-tax collector and auditor-controller and trustee costs will be added each year to the annual assessment on property tax bills and will be adjusted in subsequent years for cost of living increases using the U.S. Department of Labor, Bureau of Labor Statistics, and Consumer Price Index for the County or region.
- e. Onsite Validation Fees. Onsite validation fees may be required for Program staff to confirm proposed eligible energy efficiency, water efficiency, and/or renewable generation products were actually installed prior to funding; provided, however, such fee may not exceed the actual cost to undertake such validation.
- f. Multiple Disbursement Fees. The Program may offer multiple disbursements for assessments if feasible. If multiple disbursements are offered, the partial disbursement funding requests may be subject to an additional processing fee per disbursement as set forth in the applicable Handbook; provided, however, that such fee may not exceed the actual cost of providing such service.
- g. Capitalized Interest. Because the County has established a deadline for placing the contractual assessments on the County property tax bill, the principal component of the contractual assessment may also include an amount equal to the first tax year's contractual assessment installments if the deadline cannot be met.
- h. Deposit to a Debt Service Reserve Fund. SANBAG or project investors may require property owners to fund a deposit to a debt service reserve fund as set forth in the applicable Handbook. The reserve fund

would be used to pay debt service on bonds issued to finance the installation of Eligible Products in the event of contractual assessment installment delinquencies.

III **CONSULTATION WITH THE COUNTY AUDITOR-CONTROLLER'S OFFICE.**

As required pursuant to Section 5898.22 of Chapter 29, SANBAG has met and consulted with the staff of the County Auditor-Controller's office concerning the additional fees, if any, that will be charged to SANBAG for incorporating the proposed assessment installments into the assessments of the general taxes on real property. The payment of such fees shall be included as a part of ongoing administration costs which will be added each year to the annual assessment on property tax bills.

IV **APPEAL PROCESS**

The Program allows for property owners to go through an appeal process if their application is denied or if the property owner or property is deemed ineligible to participate in the Program. The process is set forth in the applicable Handbook.

V **TRACKS FOR PARTICIPATION**

There are four categories of improvements under which property owners may participate in this Program. 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 SANBAG Board of Directors. A complete list of Eligible Products can be found in Appendix A.

5.1 ***WATER CONSERVATION/EFFICIENCY***

Water Conservation/Efficiency covers a wide range of water conserving fixtures, such as low flow toilets, low flow shower heads, and irrigation controllers.

5.2 ***ENERGY EFFICIENCY***

Energy Efficiency covers a wide range of energy efficiency fixtures such as windows and doors, attic insulation, and HVAC equipment that are EnergyStar rated. Most Eligible Products in this category must meet specified minimum efficiencies.

5.3 ***RENEWABLE ENERGY***

Solar Photovoltaic or Solar Thermal Systems provide for solar energy generation and solar hot water systems, respectively. Small wind turbines, fuel cell systems or geothermal systems may also be eligible under this category.

5.4 ***CUSTOM PROJECTS***

The development of technologies is encouraged by the Program as a means of diversifying the region's energy and water sources. Custom Projects will be evaluated and provided funding, if appropriate, for either innovative projects or for more complex, larger projects that require additional review.

VI **PROGRAM PARAMETERS**

6.1 ***MINIMUM ENERGY FINANCING AMOUNT AND DURATION OF ASSESSMENT***

Assessment Contracts are available for varying terms as set forth in the applicable Handbook.

Minimum and maximum financing amounts are set forth in the applicable Handbook.

6.2 ***MAXIMUM PORTFOLIO***

The maximum aggregate dollar amount of contractual assessments initially authorized under the Program is \$2 billion.

6.3 ***ASSESSMENT INTEREST RATE***

Residential Properties: The interest rate for a contractual assessment on a residential property is set at the time that the Assessment Contract is delivered to the property owner. An estimated, current rate will always be available on the Program website and any variations from that estimated rate will be based solely on market fluctuations.

Commercial Properties: The interest rate for a contractual assessment on a commercial property is set at the time the assessment contract is entered.

The Program interest rate(s) will be set with the intention of creating a self-sustaining Program at rates that are competitively priced to compare to financing options available through banking or other financial institutions, balanced with the ability to remarket the securities and encourage the future liquidity of the Program.

6.4 ***PROPERTY ASSESSMENT LIEN***

All property owners must sign, and return the Assessment Contract within the time period specified in the notice of approval of a property owner's application. Upon completion of the installation of the Eligible Products and execution of the Assessment Contract, the Program will place a lien for the full amount of the contractual assessment on the property that secures the assessment. If the lien is recorded before the first business day in July, the assessment installment will appear on the next property tax bill. For liens recorded after the first business day of July, the assessment installment will not appear on the property tax bill until the following tax year, but interest will accrue on the outstanding

balance. A direct bill and/or additional tax bill or other method of payment (including capitalized interest) may be required, as determined by the Program, during the first tax year.

6.5 DELINQUENT ASSESSMENT COLLECTIONS

In general, it is expected that assessment installments will be collected on the *ad valorem* tax bills sent to property owners by the County Treasurer-Tax Collector, and therefore delinquency information will generally be available from the County Treasurer-Tax Collector’s office. In order to attract and ensure the continuing availability of competitive financing, SANBAG will covenant to commence and pursue judicial foreclosure proceedings with respect to parcels that are delinquent in the payment of assessment installments. The precise terms of such a covenant will be determined at the time of bond issuance.

VII THE FINANCIAL STRATEGIES

The Program includes the following financial strategies.

Strategy One: The Program will utilize Renovate America to fund installation of Eligible Products for Residential Properties, known as the HERO Residential Program. Pursuant to such financing plan, Renovate America will provide a revolving credit line to finance the installation of Eligible Products for such Residential Properties. Property and other eligibility requirements will be determined pursuant to the criteria set forth in Section II above and the Residential Handbook. In consideration for funding the installation of such Eligible Products SANBAG shall issue and deliver to Renovate America one or more municipal bonds secured by the contractual assessments payable by the Residential Properties to be improved.

Strategy Two: The Program will utilize Renovate America to fund installation of Eligible Products for Commercial Properties, known as the HERO Commercial Program. Pursuant to such financing plan, Renovate America will provide a revolving credit line to finance the installation of Eligible Products for Commercial Properties. Property and other eligibility requirements will be determined pursuant to the criteria set forth in Section II above and the HERO Commercial Handbook. In consideration for funding the installation of such Eligible Products SANBAG shall issue and deliver to Renovate America one or more municipal bonds secured by the contractual assessments payable by the Commercial Properties to be improved.

Strategy Three: The Program will utilize Samas Capital LLC to fund installation of Eligible Products for Commercial Properties, known as the Samas Commercial Program. Pursuant to such financing plan, Samas Capital LLC will provide a revolving credit line to finance the installation of Eligible Products for Commercial Properties. Property and other eligibility requirements will be determined pursuant to the criteria set forth in Section II above and the Samas Commercial Handbook. In consideration for funding the installation of such Eligible Products SANBAG shall issue and deliver to Samas Capital LLC one or more municipal bonds secured by the contractual assessments payable by the Commercial Properties to be improved.

Strategy Four: SANBAG may establish the “SANBAG PACE Financing Fund” (the “PACE Fund”) and may accept funds from any available source. Repayments will be made pursuant to Assessment Contracts between the property owners and SANBAG and will be collected through the property assessment mechanism in the County property tax system. SANBAG will manage or cause the Trustee or other qualified third party administrator to manage the PACE Fund in one enterprise fund with multiple sub-funds.

Strategy Five: For additional financing, SANBAG will continue to explore funding opportunities from a number of other potential funding sources, and combinations of sources, which may include but are not limited to additional funding from any funds under the control of SANBAG, the issuance of notes, bonds, or agreements with utilities or public or private lenders, other governmental entities and quasi-governmental entities such as SCERA, CALPERS, Nationwide Retirement Solutions, funding from private entities, or any financing structure allowed by law.

VIII GLOSSARY OF TERMS

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

ASSEMBLY BILL 811: Approved in July 2008 by the California legislature, AB 811 amended Chapter 29 to authorize cities and counties to establish voluntary contractual assessment programs to fund an array of conservation and renewable energy projects proposed by property owners.

ASSEMBLY BILL 474: Approved in October 2009 by the California legislature, AB 474 amended Chapter 29 to authorize the funding of water conservation products through a voluntary contractual assessment program.

BRITISH THERMAL UNITS (BTU): The amount of heat required to raise the temperature of one (1) pound of water one (1) degree Fahrenheit.

BUILDING PERFORMANCE INSTITUTE (BPI): BPI is a national standards development and credentialing organization for residential energy efficiency retrofit work – providing training through a network of training affiliate organizations, individual certifications, company accreditations and quality assurance programs. BPI certifications include building analysts (for energy audits) as well as building envelope professionals (envelope or manufactured housing) and mechanical professionals (heating or cooling).

BUILDING PERMITS: Formal approval of building plans by the designated government agency as meeting the requirements of prescribed codes. It is an authorization to proceed with the construction or reconfiguration of a specific structure at a particular site, in accordance with the approved drawings and specifications.

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

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

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

CALIFORNIA TITLE 20: Title 20, a California law intended to drive down electrical energy consumption in the state, is having a noticeable impact on manufacturers, importers and retailers who produce or sell portable lamps.

COEFFICIENT OF PERFORMANCE (COP): The COP is the basic parameter used to report efficiency of refrigerant based systems.

COMMERCIAL: Commercial entities are defined as all non-residential properties and include, but are not limited to, apartment buildings with five units or more, industrial and agricultural properties.

CONTRACTOR: A person or business entity who contracts to erect buildings, or portions of buildings, or systems within buildings.

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

COOL ROOF RATING COUNCIL (CRRC): The CRRC is an independent, non-profit organization that maintains a third-party rating system for radiative properties of roof surfacing materials.

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

ENERGY EFFICIENCY RATIO (EER): EER is a measure of how efficiently a cooling system will operate when the outdoor temperature is at a specific level (95°F). The higher the EER, the more efficient the system.

ELIGIBLE PRODUCTS: All Eligible Products as specified in the applicable Program Handbook.

ENERGYSTAR: EnergyStar is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy helping us all save money and protect the environment through energy efficient products and practices.

EXPECTED PERFORMANCE-BASED BUY-DOWN (EPBB): Under CSI, EPBB provides that solar systems smaller than 30kW in capacity can receive a one-time, up-front incentive based on expected performance, and calculated by equipment ratings and installation factors (geographic location, tilt and shading). EPBB payments are provided on a \$ per watt basis. Systems eligible for EPBB can choose to opt-in to the PBI system.

EVAPOTRANSPIRATION (ET): ET is a term used to describe the sum of evaporation and plant transpiration from the Earth's land surface to atmosphere.

HEAT SEASONAL PERFORMANCE FACTOR (HSPF): HSFP is the most commonly used measure of a heat pumps heating efficiency. The higher the HSPF, the more efficient the heat pump.

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

INTERCONNECTION AGREEMENT: A legal document authorizing the flow of electricity between the facilities of two electric systems. Under the CSI Program, eligible renewable energy systems must be permanently interconnected and operating in parallel to the electrical distribution grid of the utility serving the customer's electrical load. Portable systems are not eligible. Proof of interconnection and parallel operation is required prior to receiving an incentive payment.

INVESTOR-OWNED UTILITY (IOU): For purposes of the Program, this refers to Southern California Edison Company, Pacific Gas & Electric Company and San Diego Gas & Electric Company.

KILOWATT (kW): A unit of electrical power equal to 1,000 watts, which constitutes the basic unit of electrical demand. The watt is a metric measurement of power (not energy) and is the rate (not the duration over which) electricity is used. 1,000 kW is equal to 1 megawatt (MW).

KILOWATT HOUR (kWh): The use of 1,000 watts of electricity for one full hour. Unlike kW, kWh is a measure of energy, not power, and is the unit on which the price of electrical energy is based. Electricity rates are most commonly expressed in cents per kilowatt hour.

MARKET VALUE: Highest estimated price that a buyer would pay and a seller would accept for an item in an open and competitive market.

MANUAL J REPORT: A report that is the accepted industry standard for the proper sizing and selection of HVAC equipment in residential applications. Manual J outlines the accurate procedure which can be used to estimate the heat loss and heat gain for conventional residential structures

MEGAWATT (MW): Unit of electrical power equal to one million watts; also equals 1,000 kW.

NET OPERATING INCOME (NOI): Net operating income is rental income of a property after operating expenses. These expenses would include all operating expenses, including maintenance, janitorial, supplies, insurance, accounting, management, etc.

PARTICIPATING JURISDICTION: A city or county that has elected to participate in the HERO Program.

PROGRAM: The SANBAG PACE Program.

PROGRAM ADMINISTRATOR: The SANBAG Executive Director and/or his designee are designated as the Program Administrator and are authorized to enter into contractual assessments.

REAL PROPERTY: A property in the County that is subject to a real property tax.

PERFORMANCE BASED INCENTIVE (PBI): All solar systems requesting incentive payments over 30 kW must take the PBI. Any sized system can elect to take PBI. The PBI pays out an incentive, based on actual kWh production, over a period of five years. PBI payments are provided on a \$ per kilowatt-hour basis.

POWER PURCHASE AGREEMENT (PPA): PPA's are contracts between two parties, one who generates electricity for the purpose of sale (the seller) and one who agrees to purchase electricity (the buyer). Financing for the project is delineated in the contract, which also specifies relevant dates of the project coming into effect, when the project will begin commercial operation, and a termination date for which the contract may be renewed or abandoned. All sales of electricity are metered to provide both seller and buyer with the most accurate information about the amount of electricity generated and bought. Rates for electricity are agreed upon in the contract between both parties.

RENEWABLE: Electricity supplied by energy sources that are naturally and continually replenished, such as wind, solar power, geothermal, small hydropower, and various forms of biomass.

RESIDENTIAL: Single family home, fewer than four (4) residential units.

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

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

SOLAR HEAT GAIN COEFFICIENT (SHGC): SHGC measures how well a product blocks heat by sunlight. SHGC is expressed as a number between 0 and 1. The lower the SHGC, the less solar heat is transmitted into the building.

SOLAR RATING AND CERTIFICATION CORPORATION (SRCC): The CRCC currently administers a certification, rating, and labeling program for solar collectors and a similar program for complete solar water heating systems.

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

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

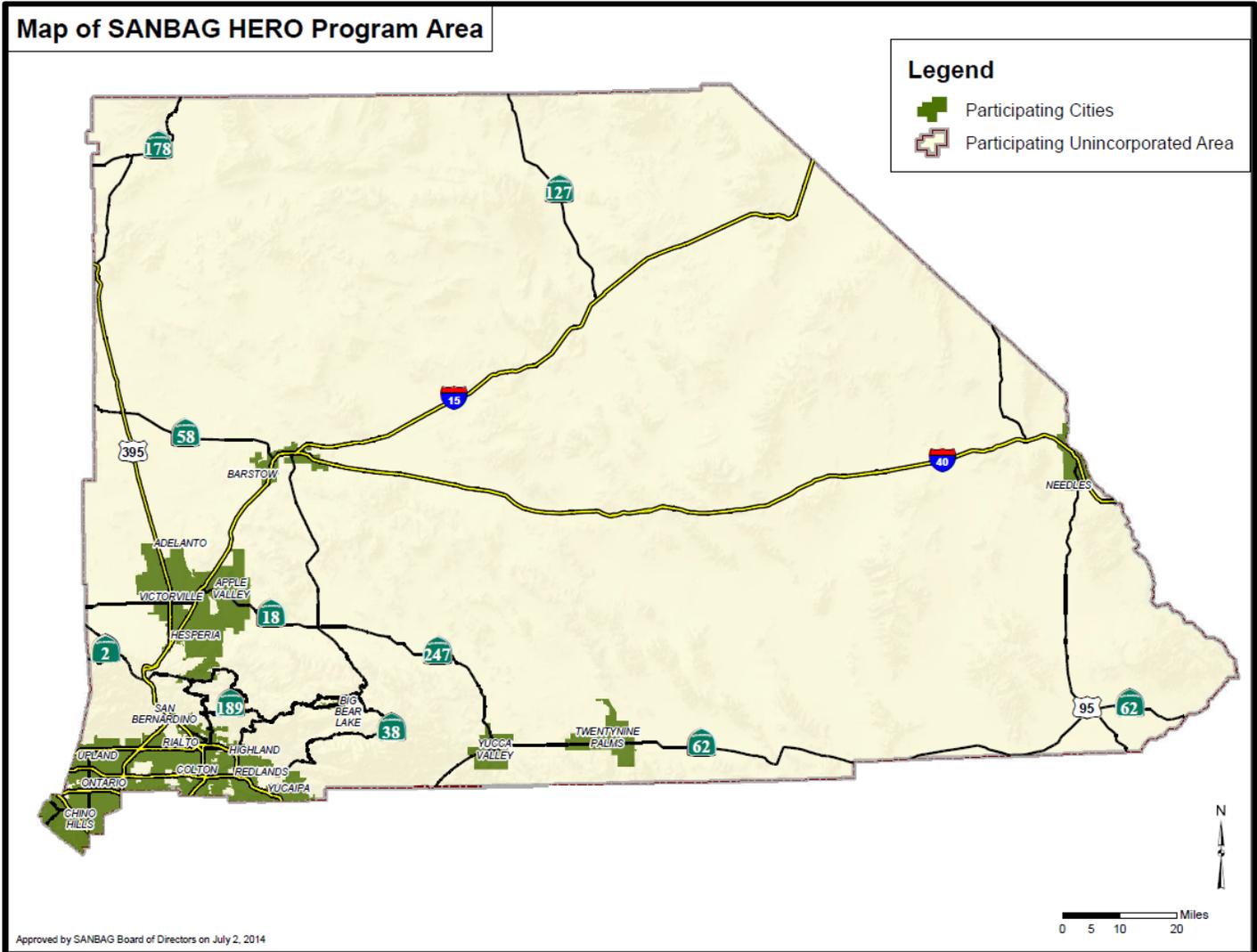
Appendix A Eligible Products

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

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.

Appendix B Map of SANBAG Program Area



Appendix C Residential Properties



HERO Financing Program™ Application

P: (855) HERO-411 F: (858) 815-8860 E: sanbag@heroprogram.com A: 1170 W. 3rd St 2nd Floor
San Bernardino, CA 92410

The San Bernardino Associated Governments ("SANBAG") HERO Program (the "Program") finances installation of renewable energy, energy or water efficiency products, or electric vehicle charging infrastructure that are permanently fixed to a property owner's real property ("Eligible Products"). Eligible Products will be financed upon the signing of an assessment contract between SANBAG and the property owner ("Assessment Contract"). SANBAG has retained Renovate America, Inc. ("RA") to facilitate the Program, and you will see this name throughout the Program materials. SANBAG and RA are referred to collectively therein as "Program Administrator."

Property Owner Acknowledgments

In order to participate in the Program, I understand that I need to meet the qualifications listed below. By signing this Application, I acknowledge and represent to the best of my knowledge that I and any other owner(s) of the property which is the subject of this application (the "Property") meet these qualifications and I authorize the Program Administrator to obtain a credit report for each of the property owner(s) and/or trustees whose social security number is provided on this application.

1. Applicant(s) must be the owner(s) of record of the property;
2. Mortgage-related debt on the property must not exceed 90.00% of the value of the property;
3. Property owner(s) must be current on their property taxes and there must be no more than one late payment in the past three years;
4. Property owners must be current on all property debt of the subject property at the time of application and cannot have had more than one 30 day mortgage late payment over the previous 12 months;
5. Property owner(s) must not have had any active bankruptcies within the last seven years, and the Property must not be an asset in an active bankruptcy. However, for all jurisdictions with the exception of the City of San Diego, if a bankruptcy was discharged between two and seven years prior, and the property owner(s) have not had any additional late payments more than 60 days past due in the last 24 months, the property owner may be approved; and
6. The property must not have any federal or state income tax liens, judgment liens, mechanic's liens, or similar involuntary liens on the property.

I understand that to qualify for the Program that the following requirements must be met:

- a. The amount to be financed under the Program must be less than 10% of the value of the Property.
- b. The combined amount to be financed under the Program plus the mortgage related debt must not exceed 100% of the value of the Property. For properties within the City of San Diego, all mortgage related debt plus the HERO Financing amount must not exceed 95% of the value of the property.
- c. All property owners must sign all required documentation, including but not limited to the Application, the Completion Certificate and the Assessment Contract with all other required Financing Documents.
- d. Following approval, my contractor or I must call the Program to identify the Eligible Products I would like to purchase, enter into an Assessment Contract with SANBAG, and receive Notification to Proceed from the Program before beginning the installation of any Eligible Products. Products which have not been approved by the Program will not be funded.
- e. Interest rates may change from the approval date to receiving the Notification to Proceed.

By signing this Application, I hereby declare under penalty of perjury under the laws of the State of California all of the following:

1. That the information provided in this Application is true and correct as of the date set forth opposite my signature on the Application and that I understand that any intentional or negligent misrepresentation(s) of the information contained in this Application may result in civil liability and/or criminal penalties including, but not limited to, imprisonment, liability for monetary damages to SANBAG, its agents, or successors and assigns, insurers and any other person who may suffer any loss due to reliance upon any misrepresentation which I have made in this Application, or both.
2. I have the authority to authorize the Program Administrator to obtain a credit report for each of the property owner(s) and/or trustee(s) whose social security number(s) is provided on this Application.
3. I understand that it is my responsibility to receive, read and understand all documents comprising the Program, which, in addition to information on the Program website, include the following:
 - a. This Application;
 - b. Privacy Policy Notice;
 - c. Assessment Contract; and
 - d. Program Handbook.

I have had an opportunity to ask Program representatives and/or my legal counsel any questions I have regarding the documents listed above. I understand I will be asked to sign the Assessment Contract, among other documents, as a pre-condition to the closing of the financing.

4. I am applying to participate in the Program. I have the authority, without the consent of any third party, to execute and deliver this Application, the Assessment Contract, and the various other documents and instruments referenced herein.
5. I understand that the financing provided pursuant to the Assessment Contract will be repayable through an assessment levied against the Property. I understand that an assessment lien will be recorded by SANBAG against the Property in the office of the County Recorder of the County of San Bernardino upon execution of the Assessment Contract. The property tax bill (which will include the assessment payments) for the Property will increase by the amount of these assessment installment payments. The Assessment Contract will specify the amount of the assessment, the assessment installments and the interest on the assessment to be collected on the property tax bill for the Property each year during the term specified in the Assessment Contract. The assessment and the interest and any penalties thereon will constitute a lien against the Property until they are paid. As with all tax and assessment liens, this lien will be senior to all existing and future private liens against the Property, including mortgages, deeds of trust and other security instruments.



HERO Financing Program™ Application

P: (855) HERO-411 F: (858) 815-8860 E: sanbag@heroprogram.com A: 1170 W. 3rd St 2nd Floor
San Bernardino, CA 92410

Disclosures

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

1. Program Disclosures and Disclaimers.

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

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

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

- b. **Interest Rate.** You will be charged a fixed interest rate on your total financed amount. Your interest rate will be set at the time your financing documents are issued. Interest rates may change from the approval date to the date the Notification to Proceed is sent.
- c. **Program Administration Fee.** At the time of closing, SANBAG will charge you a one-time administration fee of 6.95% of the principal amount of the assessment on the Property to cover the costs of administering the Program. This fee will be added to the assessment amount.
- d. **Recording Fee.** At the time of closing, SANBAG will pass-through the assessment recording fee of approximately \$95.00 to you to cover the costs of recording the assessment. This fee will be added to the assessment amount.
- e. **Assessment Administration Fee.** Each year, an annual assessment administrative fee will be added to the assessment lien amount on your property tax bill. Currently these costs are \$35.00 and there will be adjustments in subsequent years for cost of living increases, not to exceed \$95.00.
- f. **Interest Before First Payment:** Based on the date an assessment is recorded on your property the payment of assessment installments may not begin until the following year's property tax bill. As a result interest will be added to the assessment amount for the period between your closing date and the date of your first assessment payment. The maximum amount of interest will be listed on your Final Payment Summary, which will be provided with your financing documents.
- g. **Automated Valuation Model Disclosure.** You have the right to a copy of the automated valuation model (AVM) report used in connection with your application for credit. If you want to obtain a copy, please email or write to us at the address we have provided. We must hear from you no later than 90 days after we provide you with a notice of the action taken on your application or a notice of incompleteness, or in the case of a withdrawn application, 90 days after the withdrawal. An AVM is not an appraisal. It is a computerized property valuation system that is used to derive a real property value.
- h. **Foreclosure.** Not later than October 1 each year, SANBAG shall determine whether any annual assessment installment is not paid when due and shall have the right and obligation to order that any such delinquent payment, penalties, interest, and associated costs be collected by an action brought in Superior Court to foreclose the lien of such delinquent assessment installment in the manner provided and to the extent permitted by applicable law.
- i. **Prepayment.** You have the option to pay off your assessment amount at any time in full, or in any amount of at least \$2,500. A prepayment is calculated to include the principal amount of the assessment to be prepaid (Assessment Prepayment Amount) and interest on the Assessment Prepayment Amount to the earlier of March 2nd or September 2nd occurring at least 50 days following the date the prepayment is made.
- j. **No Endorsement, Warranty or Liability.** SANBAG, Renovate America, Inc., and the Program do not endorse any manufacturer, contractor, product, or system, or in any way warranty such equipment, installation, or the efficiency or production capability of any equipment. SANBAG, Renovate America, Inc. and the Program make no representations and have no responsibility regarding the equipment and its installation, including the quality, safety, cost savings, efficiency or production capability of any equipment; or any compliance of the equipment or its installation with any applicable laws, regulations, codes, standards or requirements. Further, SANBAG, Renovate America, Inc. and the Program shall not be in any way liable for any incidental or consequential damages resulting from the equipment or its installation.
- k. **Validation.** The Program may validate that installed Eligible Products meet Program eligibility requirements including requiring the applicant to provide additional sales receipts, contractor invoices, serial numbers or other identifying details, portions of packages or stickers originally attached



HERO Financing Program™ Application

P: (855) HERO-411 F: (858) 815-8860 E: sanbag@heroprogram.com A: 1170 W. 3rd St 2nd Floor San Bernardino, CA 92410

to the installed Eligible Products beyond what the Program already requires to be provided. The Program reserves the right to perform independent on-site validation(s) of any Eligible Products financed by the Program even if permit inspections have already been completed. If a validation visit is required, Program staff will schedule any such on-site validation visit with the property owner, at any reasonable time and with reasonable notice. In addition, the Program reserves the right to perform online monitoring of any installed renewable energy systems' generation data, if applicable, as well the tracking of energy consumption impacts and utility usage for any installed/financed product via property utility bill data. You, by submitting this application, consent to any such onsite validations, online monitoring, and utility bill energy usage analysis. By submitting this application, you also agree to sign the authorization form to participate in utility billing energy usage analysis to measure Program impact savings and participant satisfaction.

2. Legal Disclosures

- a. **Equal Credit Opportunity Act (ECOA).** The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against Credit Applicant(s) on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant(s) income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal Agency that administers compliance with this law concerning this creditor is the Federal Trade Commission, Division of Credit Practices, Washington, D.C. 20580.
- b. **Fair Credit Reporting Act.** As part of assembling your Program application, SANBAG has requested a consumer report bearing your credit worthiness, credit standing and credit capacity. This notice is given to you pursuant to the Fair Credit Reporting Act.
- c. **The Housing Financial Discrimination Act Of 1977.** It is illegal to discriminate in the provision of or in the availability of financial assistance because of the consideration of:
 - i. trends, characteristics or conditions in the neighborhood or geographic area surrounding a housing accommodation, unless the financial institution can demonstrate in the particular case that such consideration is required to avoid an unsafe and unsound business practice; or
 - ii. race, color, religion, sex, marital status, domestic partnership, national origin or ancestry.
- d. **Patriot Act Disclosure.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: As part of applying to the Program, SANBAG may be required to ask for your name, address, date of birth, and other information that will allow it to identify you. SANBAG may also need a copy of the driver's license or other identifying documents from any and all borrowers and guarantors.
- e. **Communications with Legal Advisers.** If you have any questions about any agreements or security instruments which affect the Property or to which you are a party, or about your authority to execute the Program Application or enter into an Assessment Contract with SANBAG without the prior consent of your existing lender(s), the Program strongly encourages you to consult with your own legal counsel and your lender(s). Program staff cannot provide you with advice about existing agreements or security instruments.
- f. **Monitoring and Recording Telephone Calls.** The Program may monitor or record telephone calls for security and customer service purposes. By applying for HERO Financing, you consent to have any phone conversations with the Program recorded or monitored.

Property Owner Signature(s)

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

	Property Owner 1	Date	Property Owner 2	Date
	Property Owner 3	Date	Property Owner 4	Date



HERO Financing Program™ Application

P: (855) HERO-411 F: (858) 815-8880 E: sanbag@heroprogram.com A: 1170 W. 3rd St 2nd Floor
San Bernardino, CA 92410

FOR CONTRACTOR CALL IN ONLY	HERO ID#:
-----------------------------	-----------

Property Address

Property Type		
Property Address		
City	State	Zip Code

Property Owner

Ownership Type:			
First Name		M. Initial	Last Name
XXX-XX-XXXX Social Security Number	XX/XX/XXXX Birth Date (mm/dd/yyyy)		Home Phone Number
Email Address			
Mailing Address			
City		State	Zip Code

Property Owner 2

First Name		M. Initial	Last Name
XXX-XX-XXXX Social Security Number	XX/XX/XXXX Birth Date (mm/dd/yyyy)		

Property Owner Signature(s)

I declare that I have the authority, without the consent of any third party which has not been previously obtained, to execute and deliver the Application, Assessment Contract, and the various documents and instruments referenced therein.

	Property Owner 1	Date	Property Owner 2	Date
	Property Owner 3	Date	Property Owner 4	Date

If you do NOT wish to receive email communications from the Program and would prefer all communications to occur through the U.S. mail instead, please contact us.

Please check this box if you do NOT want to receive newsletters or other marketing materials from the Program or Renovate America, Inc.

Appendix D DRAFT SAMAS Commercial Properties Program Application



APPLICATION DATE:
____/____/____
(MONTH/DAY/YEAR)

FOR OFFICIAL USE ONLY
DATE RECEIVED: ____/____/____
FILE #: _____

SAMAS COMMERCIAL APPLICATION

PROPERTY OWNER QUALIFICATIONS:

YES	NO	
<input type="checkbox"/>	<input type="checkbox"/>	Property Owner(s) and/or Trustees are and have been current on all property debt for the past six (6) months, including no technical defaults.
<input type="checkbox"/>	<input type="checkbox"/>	Property Owner(s) and/or Trustees are current on property taxes with no more than one late payment during the past three (3) years.
<input type="checkbox"/>	<input type="checkbox"/>	Property Owner(s) and/or Trustees have no involuntary liens, defaults or judgments on the property.
<input type="checkbox"/>	<input type="checkbox"/>	Property Owner(s) and/or Trustees have not declared bankruptcy in the last seven (7) years and the property is not an asset in a bankruptcy.
<input type="checkbox"/>	<input type="checkbox"/>	Mortgage-related debt does not exceed 80% of the fair market value of the property, as defined in the Program Handbook.
<input type="checkbox"/>	<input type="checkbox"/>	Property has a debt service coverage ratio of 1.05 (or 105%) (calculated by dividing net operating income by total lender debt on property).

PROPERTY ADDRESS:

(STREET) _____ (CITY) _____ (STATE) _____ (ZIP CODE)

(ASSESSOR'S PARCEL NUMBER)

OCCUPANCY TYPE: Owner-Occupied Tenant-Occupied Both

DESCRIBE OCCUPANTS' BUSINESSES: _____

PROPERTY TYPE:

Multi-Family (5+ units) Commercial Industrial Agricultural Other: _____

MAILING ADDRESS:
(if different from property address)

(STREET/P.O. BOX) _____ (APT./SUITE/ETC.) _____ (CITY) _____ (STATE) _____ (ZIP CODE)

PROPERTY OWNER TYPE:

Individual Trust Corporation Partnership Other: _____

PROPERTY OWNER #1 INFORMATION (Should be person/entity who handles all program contacts):

NAME OF PROPERTY OWNER _____ (TAX ID # OR SSN) _____ NAME OF CONTACT PERSON, IF BUSINESS ENTITY OWNER _____

(PHONE NUMBER) _____ (ADDITIONAL PHONE NUMBER) _____ (EMAIL ADDRESS) _____ % OWNERSHIP _____

PROPERTY OWNER #2 INFORMATION:
(If there are additional Property Owners or Trustees, please provide additional sheet(s) with property owner information.)

NAME OF PROPERTY OWNER _____ (TAX ID # OR SSN) _____ NAME OF CONTACT PERSON, IF BUSINESS ENTITY OWNER _____

(PHONE NUMBER) _____ (ADDITIONAL PHONE NUMBER) _____ (EMAIL ADDRESS) _____ % OWNERSHIP _____



Assets	Amount	Liabilities	Amount
Cash in Banks		Notes Payable	
Accounts Receivable		Accounts Payable	
Notes Receivable		Income Tax Payable	
Securities Owned		Other Taxes Payable	
Real Estate		Mortgages or Liens on Real Estate	
Other Assets		Other Liabilities	
Total		Total	

Property Income (Annual)	Amount	Property Expenses (Annual)	Amount
Rent		Maintenance and Repairs	
Other Income		Property Taxes	
Interest		Property Insurance	
Total		Total	

Mortgages and Liens on Commercial Real Estate							
Property ID	To Whom Payable	1 st or 2 nd Mortgage?	Monthly Payment	Current?	Security	Maturity Date	Principal Remaining

If the property is cross-collateralized or cross-defaulted, please complete this section.

Commercial Real Estate Schedule							
Address / Type of Property	Title in Name of	How Held	Cost / Year Acquired	Monthly Income	Present Market Value	Total Balance Owed	

If the property is owner-occupied, please complete this section.

Notes Payable				
Name of Debtor	Collateral	Monthly Payment	Maturity Date	Total Amount Due

OTHER CRITERIA QUESTIONS

Please explain all "yes" answers on a separate sheet.

- | | | |
|--------------------------|--------------------------|---|
| YES | NO | |
| <input type="checkbox"/> | <input type="checkbox"/> | Do(es) the Property Owner(s) have any outstanding judgment(s)? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do(es) the Property Owner(s) have any tax obligations, including payroll or real estate taxes, that are past due? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is/Are the Property Owner(s) a party in any active or threatened lawsuit(s) or other legal action(s)? |
| <input type="checkbox"/> | <input type="checkbox"/> | Has(ve) the Property Owner(s) had property foreclosed or give title or deed in lieu thereof? |
| <input type="checkbox"/> | <input type="checkbox"/> | Has(ve) the Property Owner(s) compromised a debt or modified a mortgage loan in the last 12 months? |



For the listed insurance policy types, is there an active insurance policy for this property?

YES	NO	
<input type="checkbox"/>	<input type="checkbox"/>	Fire and Hazard insurance?
<input type="checkbox"/>	<input type="checkbox"/>	General Liability insurance?
<input type="checkbox"/>	<input type="checkbox"/>	Flood Insurance? Please check here if not in flood zone <input type="checkbox"/>

REQUIRED ATTACHMENTS:	
<input type="checkbox"/>	Completed rent rolls form.
<input type="checkbox"/>	Signed lender consent for each mortgage on the property to be improved.
<input type="checkbox"/>	12 month payment history for each mortgage on the property to be improved (account history print out (preferred) or mortgage statements).
<input type="checkbox"/>	Profit and Loss Statements and Tax Returns for past two years.
<input type="checkbox"/>	Proposed Improvements – Contractor Bid(s) or Consultant/Engineer Proposal

APPLICANT(S) SIGNATURES			
By signing this Application, the undersigned hereby declares under penalty of perjury under the laws of the State of California that all property owner(s) and/or trustees have read, understand, and agree to all sections of the Program Handbook and that all information set forth in this Application is true, accurate, and complete.			
_____	_____	_____	_____
(Applicant Signature)	(Date)	(Applicant Signature)	(Date)
_____	_____	_____	_____
(Printed Name, Business Name, Title (if applicable))		(Printed Name, Business Name, Title (if applicable))	
_____	_____	_____	_____
(Applicant Signature)	(Date)	(Applicant Signature)	(Date)
_____	_____	_____	_____
(Printed Name, Business Name, Title (if applicable))		(Printed Name, Business Name, Title (if applicable))	



EXHIBIT A

PROPOSED BUILDING IMPROVEMENTS

DESCRIPTION	ESTIMATED COST
<p>1</p> <p>Description: _____ Brand: _____ Model #: _____ Quantity: _____ Efficiency Level: _____ Estimated Annual Energy Savings/ Production (# Units): _____</p>	<p>\$ _____</p>
<p>2</p> <p>Description: _____ Brand: _____ Model #: _____ Quantity: _____ Efficiency Level: _____ Estimated Annual Energy Savings/ Production (# Units): _____</p>	<p>\$ _____</p>
<p>3</p> <p>Description: _____ Brand: _____ Model #: _____ Quantity: _____ Efficiency Level: _____ Estimated Annual Energy Savings/ Production (# Units): _____</p>	<p>\$ _____</p>
<p>ITEMIZED ESTIMATED COST OF IMPROVEMENT(S)</p> <p>A. (i) Construction contract(s) (bid price for cost of materials and labor less any applicable rebates): and/or (ii) If self-installing, cost of equipment (less applicable rebates; do not include any labor costs):</p> <p>B. Energy assessment/audit costs</p> <p>C. Draft, engineering and/or plan preparation costs:</p> <p>D. Estimated Permit fees:</p> <p>E. Recording Fee for Assessment Lien documents and assessment contract. Set by state law and the County Recorder's Office</p> <p>F. Title Costs</p> <p>G. Other Please list (Attach separate sheet(s) explaining other costs if needed)</p> <p>Other: _____</p> <p>Other: _____</p>	<p>\$ _____</p>
<p>Requested Financing Amount: This requested amount is the maximum amount that can be funded.</p>	<p>\$ _____</p>
<p>Loan Term (5, 10, 15, 20 years):</p>	<p>_____</p>



EXHIBIT B

Fill in all contractors or sub-contractors working on the proposed project:

CONTRACTOR OR SUB-CONTRACTOR	CONTRACTOR COMPANY	CONTRACTOR NAME	CONTRACTOR LICENSE #
1 Circle One: Contractor or Sub-Contractor	_____	_____	_____
2 Circle One: Contractor or Sub-Contractor	_____	_____	_____
3 Circle One: Contractor or Sub-Contractor	_____	_____	_____
4 Circle One: Contractor or Sub-Contractor	_____	_____	_____
5 Circle One: Contractor or Sub-Contractor	_____	_____	_____
6 Circle One: Contractor or Sub-Contractor	_____	_____	_____
7 Circle One: Contractor or Sub-Contractor	_____	_____	_____
8 Circle One: Contractor or Sub-Contractor	_____	_____	_____
9 Circle One: Contractor or Sub-Contractor	_____	_____	_____

Appendix E
DRAFT HERO Commercial Properties
Program Application

[TO COME]

Appendix F Draft Assessment Contracts

San Bernardino Associated Governments Residential HERO Program ASSESSMENT CONTRACT

This Assessment Contract (this "Contract") is made and entered into as of this [Date] day of [Month], [Year], by and between the San Bernardino Associated Governments, a joint exercise of powers authority ("SANBAG"), and the record owner(s), **[Property Owner Name]** (the "Property Owner"), of the fee title to the real property identified on Exhibit A (the "Property").

RECITALS

WHEREAS, SANBAG is a joint exercise of powers authority the members of which include numerous cities in San Bernardino County and the County of San Bernardino; and

WHEREAS, SANBAG has established the HERO financing program (the "HERO Program") to allow for the financing of certain renewable energy, energy efficiency, water efficiency, and electric vehicle charging infrastructure improvements that are permanently fixed to real property (the "Authorized Improvements") through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the California Streets & Highways Code ("Chapter 29") and the issuance of improvement bonds under the Improvement Bond Act of 1915 (California Streets and Highways Code Sections 8500 and following) (the "1915 Act") upon the security of the unpaid contractual assessments; and

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

WHEREAS, SANBAG has conducted the proceedings required by Chapter 29 with respect to the territory within the boundaries of the City or County identified in Exhibit A and which has elected to participate in the HERO Program (the "Participating Entity"); and

WHEREAS, the Property is located in the boundaries of the Participating Entity, and the Participating Entity has consented to (i) owners of property within its jurisdiction (the "Participating Property Owners") participating in the HERO Program and (ii) SANBAG conducting assessment proceedings under Chapter 29 and issuing bonds under the 1915 Act to finance the Authorized Improvements; and

WHEREAS, pursuant to Chapter 29, SANBAG and the Property Owner wish to enter into a contract pursuant to which the Property Owner would agree to pay an assessment in order to finance the installation on the Property of the Authorized Improvements described in Exhibit A (the "Improvements") and SANBAG 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 SANBAG formally covenant, agree and bind themselves and their successors and assigns as follows:

AGREEMENT

Section 1. Purpose. The Property Owner and SANBAG are entering into this Contract for the purpose of financing the installation of the Improvements identified on Exhibit A on the Property. SANBAG will not finance installation of Improvements other than those listed on Exhibit A.

Section 2. The Property. This Contract relates to the real property identified on Exhibit A. The Property Owner has supplied to SANBAG current evidence of its ownership of fee title to the Property and possesses all legal authority necessary to execute this Contract on behalf of the Property Owner.

Section 3. Contract to Pay Assessment; Prepayment

(a) Payment of Assessment. The Property Owner hereby freely and willingly agrees to pay the "Assessment," the amount of which shall be determined as provided in Section 3(b) below. SANBAG will not provide financing in an amount in excess of the Assessment.

Except as otherwise set forth in this Contract, the Assessment will be paid in the installments set forth in Exhibit B.

Interest will accrue on the Assessment at the interest rate set forth on Exhibit B beginning on the date on which SANBAG issues bonds to finance the installation of the Improvements.

(b) The Assessment. The Assessment shall equal the total amount disbursed by SANBAG to pay for (i) the Improvements identified on Exhibit A, plus (ii) all costs, fees and interest associated therewith as reflected on Exhibit B, which total amount is also known as the Actual Disbursement Amount (defined below). In no event, however, will the amount disbursed by SANBAG exceed the Maximum Disbursement Amount set forth in Exhibit B.

Exhibit B sets forth an Estimated Disbursement Amount, which is based upon the price of the initially selected Improvements identified in Exhibit A, which in turn provides the basis for calculating the associated costs, fees and interest appearing on Exhibit B.

Upon receipt of the fully executed and final Completion Certificate (as described in the SANBAG HERO Residential Program Handbook, Version 1.1, dated June 2014, Section 7.6.1 referred to herein as the "Handbook") SANBAG shall calculate and disburse payments to those entitled to receive them (the "Actual Disbursement Amount") hereunder. If at any time after executing this Contract but before SANBAG pays the Actual Disbursement Amount, the Property Owner changes the Improvements to be installed from those originally appearing on Exhibit A, but (i) the Improvement categories and the Improvement types do not change from those originally selected, and (ii) the "Revised Estimated Disbursement Amount" (which means the amount anticipated to be the Actual Disbursement Amount based on the changed Improvements) is less than or equal to the Estimated Disbursement Amount, the parties do not need to execute the Addendum described in Section 4 below, and this Contract shall remain unmodified and the Assessment shall be calculated as described above in this Section 3(b). If, however, any such change meets the provisions of Section 4 below, then an Addendum will be required.

(c) Administrative Expenses. The Property Owner hereby acknowledges and agrees that SANBAG may add amounts to an annual installment of the Assessment in order to pay for the costs of collecting the Assessment (the "Additional Administrative Assessment").

(d) Prepayment of the Assessment. The Assessment may be prepaid, in whole or in any amount of at least \$2,500, at any time upon the payment of (i) the whole or a portion of the unpaid principal component of the Assessment, (ii) and interest on the Assessment Prepayment Amount to the earlier of March 2nd or September 2nd occurring at least 50 days following the date the prepayment is made.

(e) Absolute Obligation. The Property Owner hereby agrees that the Assessment will not be subject to reduction, offset or credit of any kind in the event that the bond or bonds secured thereby are refunded or for any other reason.

Section 4. Addendum. The parties agree to execute an addendum to this Contract (the "Addendum") if at any time after executing this Contract but before the Actual Disbursement Amount is released for disbursement: (i) the Improvement categories or the Improvement types change from those appearing in Exhibit A; (ii) the Revised Estimated Disbursement Amount is greater than the Estimated Disbursement Amount but does not exceed the Maximum Disbursement Amount; or (iii) it becomes necessary to correct the name, capacity, title, party or clerical errors identified therein. In any such case, SANBAG, or the HERO Program on behalf of SANBAG, shall prepare an Addendum: (i) setting forth an accurate description of the Improvements installed; (ii) confirming that the Assessment does not exceed the Maximum Disbursement Amount; and (iii) as necessary, correcting the names, capacities, titles, parties and other clerical corrections appearing in the original documentation comprising this Contract. SANBAG, or the HERO Program on behalf of SANBAG, shall prepare and provide such Addendum to the Property Owner for review and signature. Once signed by the Property Owner, SANBAG shall execute the Addendum, which shall become part of, and be incorporated into, this Contract as if it originally appeared therein.

Section 5. Collection of Assessment; Lien. The Assessment, the interest and penalties thereon as a result of a delinquency in the payment of any installment of the Assessment, and the Additional Administrative Assessment shall constitute a lien against the Property until they are paid and shall be collected and shall have the lien priority as set forth in Chapter 29.

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

Section 6. Financing of the Improvements.

(a) Contract to Finance Improvements. SANBAG hereby agrees to use the Assessment, together with the Additional Administrative Assessment, to finance the Improvements, including the payment of SANBAG's reasonable costs of administering the HERO Program, subject to the Property Owner's compliance with the conditions for such financing established by SANBAG.

(b) Assessment Installments. The Property Owner agrees to the issuance of bonds by SANBAG to finance the installation of the Improvements. The interest rate used to calculate the Assessment installments set forth on Exhibit B is identified on Exhibit B. If SANBAG determines in its reasonable discretion that the Assessment installments may be reduced because the applicable interest rate on the bonds issued to finance installation of the Improvements is lower than the interest rate specified in Exhibit B, or if the cost of the

Improvements, as shown in a final invoice provided to SANBAG by the Property Owner, is less than the amount shown on Exhibit B, then, concurrently with the disbursement of funds to the Property Owner, SANBAG may provide the Property Owner with a schedule of annual Assessment installments that provides for annual installments that are less than those set forth in the attached Exhibit B.

Section 7. Term: Contract Runs with the Land: Subdivision.

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

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

(c) In the event the Property is subdivided while the Assessment remains unpaid, the Assessment will be assigned to the newly-created parcel on which the Improvements are located. If the Improvements no longer exist, the Assessment will be assigned to each of the newly-created parcels on a per-acre basis, unless SANBAG, in its sole discretion, determines that the Assessment should be allocated in an alternate manner.

Section 8. Assessment and Lien. The Property Owner hereby authorizes and directs SANBAG 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 9. Notice. To the extent required by applicable law, the Property Owner hereby agrees to provide written notice to any subsequent purchaser of the Property, including any subdivision of the Property, of the obligation to pay the Assessment pursuant to this Contract.

Section 10. Waivers, Acknowledgment and Contract. Because this Contract reflects the Property Owner's free and willing consent to pay the Assessment following a noticed public hearing, the Property Owner hereby waives any otherwise applicable requirements of Article XIII D of the California Constitution or any other provision of California law for an engineer's report, notice, public hearing, protest or ballot.

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

The Property Owner hereby agrees that SANBAG is entering into this Contract solely for the purpose of assisting the Property Owner with the financing of the installation of the Improvements, and that SANBAG and the Participating Entity have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of the Improvements. Based upon the foregoing, the Property Owner hereby waives the right to recover from and fully and irrevocably releases SANBAG, the Participating Entity and any and all agents, employees, attorneys, representatives and successors and assigns of SANBAG 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 SANBAG, the Participating Entity and any and all agents, employees, attorneys, representatives and successors and assigns of SANBAG or the Participating Entity.

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

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

By initialing below, the Property Owner agrees to waive the provisions of Section 1542 in connection with the matters that are the subject of the foregoing waivers and releases.

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 10 shall survive termination of this Contract.

Section 11. Indemnification. The Property Owner agrees to indemnify, defend, protect, and hold harmless SANBAG, the Participating Entity and any and all agents, employees, attorneys, representatives and successors and assigns of SANBAG or the Participating Entity, from and against all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) and any demands of any nature whatsoever related directly or indirectly to, or arising out of or in connection with (i) the Property Owner's participation in the HERO Program, (ii) the Assessment, (iii) the Improvements, or (iv) any other fact, circumstance or event related to the subject matter of this Contract, regardless of whether such losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) accrue before or after the date of this Contract.

The provisions of this Section 11 shall survive the termination of this Contract.

Section 12. Right to Inspect Property. The Property Owner hereby grants SANBAG, 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 SANBAG, its agents and representatives the right to examine and copy any documentation relating to the Improvements.

Section 13. Carbon Credits. The Property Owner hereby agrees that any carbon credits attributable to the Improvements shall be owned by the HERO Program.

Section 14. HERO Program Application. The Property Owner hereby represents and warrants to SANBAG that the information set forth in the HERO Program Application submitted to SANBAG in connection with its request for financing is true and correct as of the date hereof, and that the representations set forth in the HERO Program Application with respect to the Property and the Property Owner are true and correct as of the date hereof as if made on the date hereof.

Section 15. Amendment. Except as set forth in Section 3(b) or as provided for in Exhibit A pertaining to a fully executed and final Completion Certificate, this Contract may be modified only by an Addendum (as provided in Section 4) or other written agreement of SANBAG and the Property Owner.

Section 16. Binding Effect; Assignment. This Contract inures to the benefit of and is binding upon SANBAG, the Property Owner and their respective successors and assigns. SANBAG has the right to assign any or all of its rights and obligations under this Contract without the consent of the Property Owner. The obligation to pay the Assessment set forth in this Contract is an obligation of the Property and no agreement or action of the Property Owner will be competent to impair in any way SANBAG'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 17. 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 18. 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 19. Corrective Instruments. SANBAG 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 20. Governing Law: Venue. This Contract is governed by and construed in accordance with the laws of the State of California. Any legal action brought under this Contract must be instituted in the Superior Court of the County of San Bernardino, State of California; provided, however, actions to foreclose delinquent installments of the Assessment will be instituted in the superior court of the County.

Section 21. 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 22. Monitoring and Recording of Telephone Calls. The HERO 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 HERO Program monitored and/or recorded.

Section 23. Contract Documents. Property Owner understands and acknowledges that the entire agreement between Property Owner and SANBAG includes each and every document specified in the List of Documents contained in Exhibit B to this Contract (together, the "Contract Documents").

By executing this Contract Property Owner acknowledges and agrees that:

- a. Property Owner has had sufficient time to review and has reviewed each of the Contract Documents and has had the opportunity to ask any questions to SANBAG 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 Handbook.
- c. Property Owner has reviewed, understands, agrees to and affirms each and every representation and warranty contained in the Property Owners application and the 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 Handbook.

Owner(s) must execute and return this Contract to SANBAG at the address set forth in the "Notice Information" section of Exhibit A hereto so that it is received by SANBAG not later than [Contract Due Date]. If the Property Owner(s) fail to return the signed Assessment Contract to SANBAG by the indicated date the HERO Program reserves the right to require 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 SANBAG.

Section 24. Multiple Contractors and Improvements. Notwithstanding anything to the contrary in this Contract, if the Property Owner engages one or more contractors (each, a “Contractor,” which term includes any designee thereof) to install more than one Improvement, the installation of which Improvements will not be completed simultaneously, the Property Owner and SANBAG agree as follows:

- a. Upon receipt of the initial Completion Certificate from a Contractor(s) and the Property Owner(s) (the “First Installation Completion Certificate”) acknowledging installation of the first type or category of Improvements, then:
 - i. The “Investor” (which means any person or entity who has entered into an agreement with SANBAG to purchase bonds under the Program) shall deposit the Actual Disbursement Amount with the municipal trustee for the Program;
 - ii. SANBAG shall cause bonds to be issued and sold to the Investor in the amount equal to the Actual Disbursement Amount deposited with such municipal trustee;
 - iii. SANBAG shall cause all instruments, documents and agreements described in Section 8 of this Contract to be recorded;
 - iv. SANBAG shall cause the amount reflected in the First Installation Completion Certificate to be disbursed to the Contractor(s) who installed such Improvements; and
 - v. SANBAG shall cause all administrative, recording and other fees described on line 6 of Exhibit B to be paid.
- b. Upon receipt of a subsequent Completion Certificate from the Property Owner and Contractor(s) (each, a “Subsequent Installation(s) Completion Certificate”) acknowledging installation of the subsequent types or categories of Improvements, SANBAG shall cause the municipal trustee for the Program to disburse amount(s) reflected in each such Subsequent Installation Completion Certificate to the Contractor(s) who installed such Improvements.
- c. Upon receipt of the final Completion Certificate from the Contractor(s) and the Property Owner(s) (the “Final Installation Completion Certificate”) acknowledging installation of the final types or categories of Improvements, then:
 - i. SANBAG shall cause the amount reflected in such Final Installation Completion Certificate to be disbursed to the Contractor(s) who installed such Improvements; provided, however, that:
 1. If the remaining balance of the Actual Disbursement Amount the Investor has deposited with the municipal trustee exceeds the amount reflected in the Final Installation Completion Certificate, SANBAG shall cause such excess to be applied, at the discretion of the Investor, (i) to the Property Owner’s next assessment payment due under this Contract, or (ii) to the reduction of the outstanding balance of the Assessment determined in accordance with Sections 3 and 4 of this Contract; or
 2. If the remaining balance of the Actual Disbursement Amount the Investor has deposited with the municipal trustee is less than the amount reflected in the Final Installation Completion Certificate, the Property Owner(s) shall be individually responsible for paying such difference to the applicable Contractor(s), and such payment shall be excluded from the Assessment under this Contract.
- d. If for any reason any one or more of the categories or types of Improvements planned to be installed under this Section 24 is not installed by the expiration date reflected in the Notice to Proceed, then the Investor shall have the option to declare the financing of the Improvements complete, in which case the municipal trustee shall be notified to apply any remaining balance of

the Actual Disbursement Amount held by such municipal trustee to reduce Property Owner's the then outstanding Assessment.

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

Owner 1:	

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

SANBAG: Executive Director and/or his or her designee:	

Name <i>(Please Print)</i>	
_____	_____
SANBAG Signature	Date of Execution by SANBAG

EXHIBIT A

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

Description of Property:

Property Owner(s) Name(s):

Property Address:

APN:

Participating Entity:

Description of Products:

The Products include the following:

PRODUCT #1	
Product Category Type:	[Product Category] – [Product Type]
PRODUCT #[n]	
Product Category Type:	[Product Category] – [Product Type]

Or similar energy efficient product, which is allowed under the HERO Program Guide.

All terms set forth in the fully executed and final Completion Certificate shall supersede and take precedence over any term in this Exhibit A that conflicts with, is not covered by, or is otherwise contrary to, the terms set forth in such Completion Certificate, and such Completion Certificate shall become part of, and be incorporated into, this Exhibit A as if they originally appeared therein.

Notice Information

San Bernardino Associated Governments
 Attn: SANBAG HERO Program Manager
 1170 W. 3rd St 2nd Floor
 San Bernardino, CA 92410

[Property Owner Name]
 [Property Owner Address]

EXHIBIT B

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

List of Contract Documents:

The Contract shall consist of the following documents:

- This Contract and the exhibits hereto;
- Any Addendum entered into pursuant to Section 4 hereto;
- The Application;
- The Right to Cancel;
- The Completion Certificate or, pursuant to Section 24, each applicable Completion Certificate;
- The Assessment Cost and Payment Summary;
- The Notice of Assessment;
- The Payment of Contractual Assessment Required;
- The SANBAG HERO Residential Program Handbook, Version 1.1, dated June 2014;
- The HERO Program website located at <https://www.heroprogram.com>.

Disbursement Amounts:

The "Maximum Disbursement Amount" under this Contract is [\$_____], which means that SANBAG shall not disburse any amount that exceeds this figure.

The "Estimated Disbursement Amount" under this Contract is [\$_____], which was based upon the Improvements and pricing set forth on the table below in this Exhibit B.

Schedule of Estimated Maximum Annual Assessment Installments:

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

1. SANBAG disburses the Estimated Disbursement Amount to Owner.
2. Interest totaling a maximum of \$[Worst CAPI With Prepay] will accumulate until your first Payment. That amount will be added to Owner's Estimated Disbursement Amount.
3. SANBAG disburses to Owner on the Estimated Disbursement Date.
4. The Assessment Interest Rate is [Interest Rate]%
5. The Annual Percentage Rate (APR) of your assessment is [APR]%. APR is the 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 HERO Program.
6. The total administrative fees, recording fees and annual assessment added to your assessment is \$[Total Fees With Prepay].

San Bernardino Associated Governments Residential HERO Program

**ADDENDUM TO THE ASSESSMENT CONTRACT
Addendum No. 1**

All terms set forth below in this Addendum (i) shall supersede and take precedence over any term in the Assessment Contract by and between the San Bernardino Associated Governments, a joint exercise of powers authority ("SANBAG"), and [Property Owner Name] entered into on the Effective Date (defined within the Assessment Contract) (the "Contract") that conflicts with, is not covered by, or is otherwise contrary to, the terms set forth herein and (ii) shall become part of, and be incorporated into, the Contract as if they originally appeared therein. For the avoidance of doubt, name, capacity, title, party and clerical corrections appearing below in this Addendum shall become part of, and be incorporated into, the Contract as if they originally appeared therein. For purposes of this Addendum, "Exhibit A" and "Exhibit B" refer to Exhibits A and B within the Contract.

RECITALS:

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

WHEREAS, (i) the Improvements, Improvement types, and/or Improvement categories appearing in Exhibit A differ from those appearing in this Addendum, and/or (ii) the Estimated Disbursement Amount appearing in this Addendum is greater than the Estimated Disbursement Amount originally listed in Exhibit B; and

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

1. Defined Terms. Capitalized terms used in this Addendum and not otherwise defined herein shall have the meanings given to them in the Contract.
2. Addendum.
 - a. The Improvements and Improvement Amounts appearing in this Addendum shall replace the Improvements listed in Exhibit A, and shall become part of, and incorporated into, Exhibit A as if they originally appeared herein.
 - b. The Revised Estimated Disbursement Amount listed in this Addendum shall replace the Estimated Disbursement Amount listed in Exhibit B, and shall become part of, and be incorporated into, Exhibit B as if it originally appeared therein.
 - c. The name, capacity, title, party and other clerical corrections (if any) appearing in the signature block of this Addendum shall supersede and take precedence over those originally appearing in the Contract and shall become part of, and be incorporated into, the Contract as if they originally appeared therein.
3. Miscellaneous. The existing Contract, as amended by the Addendum, remains in full

force and effect. Any reference to the Contract from and after the date hereof shall be deemed to refer to the Contract as amended hereby.

4. Representations and Warranties.

- a. Property Owner hereby represents and warrants that (i) the terms, conditions and information contained in this Addendum are true and correct, and (ii) he or she affirmatively authorized installation of the Improvements identified herein and in the fully executed and final Completion Certificate.
- b. Property Owner hereby confirms that (i) each of its representations, warranties and covenants set forth in the Contract, after giving effect to this Addendum are true and correct as of the date first written above with the same effect as though each is been made as of such date, and (ii) all terms and conditions of the Contract shall remain in full force and effect and Property Owner hereby ratifies the obligations thereunder.

Property Owner Information:

Date: [Today's Date]
 Property Owner(s): [Property Owner Names]
 Trust Name: [Trust Name]
 Property Address: [Property Address]
 HERO ID: [HERO ID]
 Application Date: [Application Date]
 Expiration Date: [Expiration Date]

Summary:

Financing Term	Interest Rate	Annual Amount Added to Property Tax Bill
[Term] years	[Interest Rate]%	\$(Annual Payment)

Description of Products:

	Eligible Product Type
1	[Product Category] – [Product Type]
2	[Product Category] – [Product Type]
3	[Product Category] – [Product Type]
n	[Product Category] – [Product Type]
Total Improvement Amount	

Payment Schedule:

**DRAFT SAMAS COMMERCIAL PROGRAM
ASSESSMENT CONTRACT**

This Assessment Contract (“Contract”) is made and entered into as of the Effective Date (defined below) by and between the San Bernardino Associated Governments, California, (“SANBAG”), a joint exercise of powers authority, and **[OWNER(S)]** (“Owner”), the record owner of fee title to the real property identified in the “Description of Property” section of Exhibit A attached hereto and incorporated herein by this reference (the “Property”). The “Effective Date” is defined as the last date entered with the signatures of the parties below.

RECITALS

- A. The San Bernardino Associated Governments (SANBAG) is a joint exercise of powers authority the members of which include the County of San Bernardino (the “County”) and numerous cities located in the County (each, a “Member Agency”).
- B. SANBAG has established the “SANBAG Energy Efficiency and Water Conservation Program for Western San Bernardino County” (the “Program”) pursuant to Chapter 29 of Division 7 of the Streets & Highways Code of the State of California (“Chapter 29”) to allow for the financing of certain renewable energy, energy efficiency and water efficiency and electric vehicle charging infrastructure improvement products that are permanently affixed to real property (“Eligible Products”).
- C. Pursuant to Chapter 29 and the Program, SANBAG may levy voluntary contractual assessments against developed properties in the jurisdictions of the Member Agencies that have authorized SANBAG to implement and administer the Program within such Member Agencies (each, a “Participating Member Agency”), with the free and willing consent of the owners of the properties on which such assessments are levied, to finance the acquisition and construction on and/or installation in the assessed properties of certain qualifying renewable energy, energy efficiency and/or water efficiency products. The purpose and method of administration of the assessments under the Program are described in the SANBAG HERO Program Report originally adopted by the SANBAG Board of Directors on March 6, 2013, as such report has been and may be amended from time to time (the “Report”) prior to the Effective Date of this Contract.
- D. The Property is located within the jurisdiction of the Participating Member Agency set forth in the “Description of Property” section of Exhibit A hereto and such Participating Member Agency has consented to (i) owners of property within its jurisdiction participating in the Program and (ii) SANBAG conducting the assessment proceedings under Chapter 29 and issuing bonds pursuant to the Program to finance Eligible Products.
- E. Owner has submitted an application and funding request to participate in the Program (collectively, the “Application”). SANBAG has approved the Application pursuant to the requirements of the Report. The Application describes, among other things, the particular Eligible Products that have been acquired, constructed on and/or installed in the Property and are to be financed pursuant to the Program. In this Contract, such Eligible Products, together with their acquisition, construction and/or installation on the Property, are referred to as “the Products.”
- F. Owner will acquire and construct and/or install the Products on or in the Property or will cause the acquisition and construction and/or installation of the Products on or in the Property and Owner will obtain all necessary permits and/or inspections required pursuant to this Contract and the Program necessary to enable SANBAG to finance the Products.

G. Pursuant to Chapter 29 and the Program, SANBAG and Owner wish to enter into a contract pursuant to which Owner agrees to pay a voluntary contractual assessment in order to finance the Products including the acquisition, construction and/or installation of thereof and SANBAG agrees to providing financing for such purpose, all on the terms set forth in this Contract.

NOW THEREFORE, in consideration of the foregoing and the mutual material covenants contained herein and other valuable consideration, the receipt and adequacy of which is hereby acknowledged, Owner and SANBAG formally covenant and agree as follows:

CONTRACT

- 1) **Purpose** The Owner and the Authority are entering into this Contract for the purpose of financing the acquisition, construction and/or installation of the Products identified in Exhibit A in or on the Property.
- 2) **The Property** This Contract relates to the Property identified in Exhibit A.
- 3) **Contract Documents** This Contract shall consist of the documents listed in Exhibit B attached hereto and incorporated herein by this reference.

All such documents shall be collectively referred to herein as the "Contract Documents." All of the declarations and warranties of Owner made in the Application are incorporated in this Contract as if fully set forth herein. Owner acknowledges that Owner has received copies of each of the Contract Documents.

OWNER AGREES AND UNDERSTANDS THAT OWNER MUST EXECUTE AND RETURN THIS CONTRACT SO THAT SUCH CONTRACT IS RECEIVED BY SANBAG OR ITS REPRESENTATIVE ON OR BEFORE THE DEADLINE DATE SET FORTH ON THE SIGNATURE PAGE HEREOF AND THAT ALL SIGNATURES MUST BE NOTARIZED BY A DULY LICENSED NOTARY PUBLIC.

- 4) **Contract Term** The term of this Contract shall be until the Assessment defined below and all accrued interest thereon, together with any applicable penalties, costs, fees, and other charges have been paid in full.
- 5) **Assessment and Lien**
 - a) Owner agrees that upon the execution of this Contract by the parties, the Property is subject to a voluntary contractual assessment levied against the Property pursuant to this Contract, Chapter 29 and other applicable law (the "Assessment") together with interest, and consents to levy of the Assessment on and recordation of a lien against the Property. Upon execution of this Contract, SANBAG will execute and cause to be recorded in the office of the County Recorder (i) a notice of assessment (the "Notice of Assessment") as required pursuant to Chapter 29, together with a copy of this Contract and (ii) a Payment of Contractual Assessment Required as required pursuant to Chapter 29.
 - b) The execution of this Contract by the parties constitutes the levy of the Assessment by SANBAG against the Property without any further action required by the parties.
 - c) Upon recordation of the Notice of Assessment in the Office of the County Recorder, the Assessment and each installment, together with any interest and penalties that become due on the Assessment, shall constitute a lien upon the Property until paid. Initially, as reflected in the Notice of Assessment, upon recordation of the Notice of Assessment, the Assessment shall be equal to the Disbursement Amount, as defined in Section 6 below.
 - d) Failure to pay any installment of the Assessment or any interest thereon, like failure to pay any property taxes pertaining to the Property, will result in penalties and interest accruing on the amounts due. In

addition, under those circumstances, SANBAG has the right to judicially foreclose the lien of the Assessment, as set forth in paragraph 8(g) below.

- 6) **Disbursement Amount** SANBAG agrees to disburse monies to or on behalf of Owner pursuant to the terms of this Contract in the amount set forth in Exhibit B attached hereto and incorporated herein by this reference (“Disbursement Amount”). In the event the actual cost of the Products exceeds the Disbursement Amount, Owner shall be solely responsible for the payment of all such costs.
- 7) **Special Benefit to Property** Owner expressly acknowledges that the Products confer a special benefit to the Property in an amount at least equal to the Assessment.
- 8) **Collection of Assessment and Annual Assessment Administrative Fee on Property Tax Bill; Other Remedies**

- a) The annual portion of the principal amount of the Assessment, together with the annual interest on the Assessment and the Annual Assessment Administrative Fee (defined in paragraph f) below) (collectively, the “Annual Assessment Installment”), due and payable each Tax Year (each such Tax Year being the period from July 1st through the following June 30th), shall be collected on the property tax bill pertaining to the Property. The Annual Assessment Installment coming due in any Tax Year shall be payable in the same manner and at the same time and in the same installments as the general taxes of the County on real property are payable, and the Annual Assessment Installments shall be payable and become delinquent at the same times and in the same proportionate amounts and shall bear the same penalties and interest after delinquency, and be subject to the same provisions for redemption and sale, as the general taxes on real property of the County.
- b) Following disbursement of the Disbursement Amount to the Owner, the Annual Assessment Installments shall be placed on the tax roll each Tax Year, commencing with the Tax Year beginning immediately following the date of such disbursement (the “Disbursement Date”). The initial Tax Year is set forth in Exhibit B attached and incorporated by this reference (the “Initial Tax Year”).

The amount of interest accrued on the Assessment from the Disbursement Date through September 1st of the Initial Tax Year (“Capitalized Interest”) has been included in the Disbursement Amount and is therefore included in the principal amount of the Assessment.

- c) Interest shall accrue on the unpaid Assessment from the Disbursement Date at a simple interest rate fixed by SANBAG and set forth on Exhibit B attached hereto and incorporated herein by this reference. Interest shall be computed on the basis of a three hundred sixty (360) day year. If a court of competent jurisdiction determines the interest or other charges provided for herein in connection with the Assessment or the Annual Assessment Administrative Fee exceed the limits permitted by applicable law, then: (i) any such interest or charge shall be reduced by the amount necessary to reduce the interest or charge to such permitted limit; and (ii) any sums already collected which exceed such permitted limit will be refunded by SANBAG. SANBAG may make the refund by making a direct payment to Owner or by crediting the refund amount against the next installment or installments of the Assessment.
- d) The Annual Assessment Installments that may be placed on the tax roll each Tax Year are set forth in Exhibit B. The amounts set forth on Exhibit B are based on the assumption that SANBAG disburses the Disbursement Amount to or on behalf of Owner 14 calendar days following the Contract Date (defined in Section 31 below). Following disbursement of the Disbursement Amount, SANBAG will adjust the Annual Assessment Installments to reflect the actual Assessment based upon the Disbursement Amount, date of such disbursement and the actual amount of Capitalized Interest.
- e) The lien of the Assessment shall be co-equal to and independent of the lien for general taxes, and, pursuant to Government Code Section 53936, not subject to extinguishment by the sale of the Property

on account of the nonpayment of any taxes, and prior and superior to all liens, claims and encumbrances on or against the Property except (i) the lien for general taxes, special taxes or ad valorem assessments in the nature of and collected as taxes levied by the State of California or any county, city, special district or other local agency, (ii) the lien of any special assessment or assessments the lien date of which is prior in time to the lien date of the Assessment, (iii) easements constituting servitudes upon or burdens to the Property, (iv) water rights, the record title to which is held separately from the title to the Property, and (v) restrictions of record.

f) In addition to the Assessment, until the Assessment and the interest thereon is paid in full, Owner agrees that the Property is subject to an annual administrative fee to be included in the Annual Assessment Installment pursuant to this Contract, Chapter 29 and applicable law to pay costs incurred by SANBAG which result from the administration and collection of the Assessment and from the administration or registration of any associated bonds or other financing arrangement, as described in the Report, and from the administration of any reserve fund and other related funds (the "Annual Assessment Administrative Fee"). The maximum Annual Assessment Administrative Fee shall not exceed fifty dollars (\$50.00) in Tax Year commencing on July 1, 2014 and shall thereafter be adjusted annually commencing on July 1 of each subsequent Tax Year for cost of living based on the U.S. Department of Labor, Bureau of Labor Statistics, and Consumer Price Index for all urban consumers for applicable to the County of San Bernardino. SANBAG shall annually determine the amount of the Annual Assessment Administrative Fee, not to exceed the maximum Annual Assessment Administrative Fee determined in accordance with the preceding sentence.

g) Owner acknowledges and understands that, no later than October 1 of each year, SANBAG will determine whether the Property is delinquent in the payment of any Assessment Installments and, if so, will notify SANBAG Counsel of any such delinquencies. SANBAG Counsel will commence, or cause to be commenced, judicial foreclosure proceedings against the Property, including collection actions preparatory to the filing of any complaint, but will file the complaint not later than December 1 of such year. Failure of such a complaint to be filed by such December 1 shall not, however, invalidate any judicial foreclosure proceedings commenced after such date.

9) Use of Proceeds Owner shall use the Disbursement Amount for the sole purpose of paying for the reasonable costs and expenses of the Products on the Property, for the Program fees, and capitalized interest.

10) Disbursement Procedures

a) Notwithstanding anything to the contrary contained herein, SANBAG shall have no obligation to disburse funds to Owner unless and until each of the following conditions is satisfied, or any such condition is expressly waived by SANBAG:

i) Owner has, as appropriate, executed and delivered to SANBAG the Contract Documents and such other documents or instruments pertaining to the Disbursement Amount or the Products as SANBAG may require.

ii) As of the Disbursement Date, SANBAG shall have determined that the representations of Owner contained in the Contract Documents are true and correct, and no Default (as defined in Section 18 below) shall have occurred and be continuing.

iii) No stop payment or mechanic's lien notice pertaining to the Products has been filed and remains in effect as of the Disbursement Date.

iv) Owner will, within fifteen (15) days of presentation by SANBAG or the representative thereof, execute any and all documents or instruments required by the Contract Documents in connection with the

disbursement of funds to Owner, other than this Contract, which must be executed by the date set forth on the Signature Page below.

- b) Upon satisfaction or waiver of the conditions described in paragraph (a), above, SANBAG will disburse funds to or on behalf of the Owner.

11) Prepayment of Assessment Owner may prepay the remaining balance of the Assessment by paying the principal amount or a portion of the Assessment in increments of \$5,000 owing on the Assessment, plus the applicable prepayment premium, if any, calculated on the principal amount of the Assessment to be prepaid, processing fee and accrued interest determined by SANBAG in accordance with this Contract and the Report, and the amount of any delinquent installments of principal of and interest on the Assessment, together with penalties accrued to the date of prepayment. The processing fee and schedule of prepayment premiums is set forth in Exhibit B hereto.

Interest on the Assessment shall accrue until the next available redemption date for any bond or bonds issued pursuant to a financing relationship contemplated by the Report and which bond or bonds are secured by the Assessment. Such redemption date shall not exceed 180 days from the date of prepayment of the Assessment. Owner shall notify SANBAG in writing of Owner's determination to prepay the Assessment at least ten (10) business days prior to the date Owner intends to prepay the Assessment.

12) Representations and Warranties of Owner Owner promises that each representation and warranty set forth below is true, accurate and complete as of the date of this Contract. By accepting the Disbursement Amount, Owner shall be deemed to have reaffirmed each and every representation and warranty made by Owner in this Contract and in the Application, as of the date of disbursement. If Owner is comprised of the trustees of a trust, the following representations shall also pertain to the trustor(s) of the trust.

- a) Formation: If Owner is anything other than a natural person, it has complied with all laws and regulations concerning its organization, existence and the transaction of its business, and is in good standing in each state in which it conducts its business.
- b) Authority: Owner is the owner of the Property and is authorized to execute, deliver and perform its obligations under the Contract Documents, and all other documents and instruments delivered by Owner to SANBAG in connection therewith. The Contract Documents have, if required, been duly executed and delivered by Owner and are valid and binding upon and enforceable against Owner in accordance with their terms, and no consent or approval of any third party, which has not been previously obtained by Owner, is required for Owner's execution thereof or the performance of its obligations contained therein.
- c) Compliance with Law: Neither Owner nor the Property is in violation of, and the terms nor provisions of the Contract Documents conflict with, any regulation or ordinance, any order of any court or governmental entity, or any building restrictions or governmental requirements affecting the Property.
- d) No Violation: The terms and provisions of the Contract Documents, the execution and delivery of the Contract Documents by Owner, and the performance by Owner of its obligations contained in the Contract, will not and do not conflict with or result in a breach of or a default under any of the terms or provisions of any other agreement, contract, covenant or security instrument by which Owner or the Property is bound.
- e) Other Information: All reports, documents, instruments, information and forms of evidence which have been delivered to SANBAG related to Owner's application for the Program funding are accurate, correct and sufficiently complete to give SANBAG true and accurate knowledge of their subject matter.
- f) Lawsuits: There are no lawsuits, tax claims, actions, proceedings, investigations or other disputes pending or threatened against Owner or the Property which may impair Owner's ability to perform its

obligations hereunder, or which may impair SANBAG's ability to levy and collect the Assessment and Annual Assessment Installments.

- g) No Event of Default: There is no event which is, or with notice or lapse of time or both would be, a Default under this Contract.
- h) Accuracy of Declarations: The declarations of Owner contained in the Application are accurate, complete and true.

13) Owner's Covenants Owner promises:

- a) Installation and Maintenance of Products: Owner shall cause its contractor(s) to install the Products, in a good and workmanlike manner and in accordance with sound construction and installation practices. Owner shall maintain the Products in good condition and repair.
- b) Compliance with Law and Agreements: Owner shall complete all Products, or cause the Products to be completed, in conformity with all applicable laws, including all applicable federal, state, and local occupation, safety and health laws, rules, regulations, standards, and recorded instruments, covenants or agreements affecting the Property. Owner shall comply with and keep in effect all permits, licenses, and approvals required to complete installation of the Products.
- c) Site Visits: Owner grants SANBAG, its agents and representatives the right to enter and visit the Property at any reasonable time, after giving reasonable notice to Owner, for the purposes of observing the Products. SANBAG will make reasonable efforts during any site visit to avoid interfering with Owner's use of the Property. Owner shall also allow SANBAG to examine and copy records and other documents of Owner which relate to the Products. Any site visit, observation or examination by SANBAG shall be solely for the purposes of protecting SANBAG's rights under the Contract Documents.
- d) Protection Against Lien Claims: Owner shall promptly pay or otherwise discharge any claims and liens for labor done and materials and services furnished to the Property in connection with the Products. Owner shall have the right to contest in good faith any claim or lien, provided that it does so diligently and without delay in completing the Products.
- e) Notice to Successors in Interest: Owner agrees to provide written notice to any subsequent purchaser of the Property that the Property is subject to a Program assessment lien, and to provide any subsequent purchaser a copy of this Contract.
- f) Insurance: If the Disbursement Amount exceeds \$50,000, Owner shall provide, maintain and keep in force at all times until the Products are completed, builder's all risk property damage insurance on the Property, with a policy limit equal to the amount of the Disbursement Amount.
- g) Notices: Owner shall promptly notify SANBAG in writing of any Default under this Contract, or any event which, with notice or lapse of time or both, would constitute a Default hereunder.

14) Mechanic's Lien and Stop Notices In the event of the filing of a stop notice or the recording of a mechanic's lien pursuant to applicable law of the State of California and relating to the Products, SANBAG may summarily refuse to disburse any funds to Owner, and in the event Owner fails to furnish SANBAG a bond causing such notice or lien to be released within ten (10) days of notice from SANBAG to do so, such failure shall at the option of SANBAG constitute a Default under the terms of this Contract. Owner shall promptly deliver to SANBAG copies of all such notices or liens.

15) Owner Responsibility; Indemnification

- a) Owner acknowledges that SANBAG has established the Program solely for the purpose of assisting the owners of property in the SANBAG subregion with the financing of the acquisition, construction, and installation of Eligible Products. The Program is a financing program only. Neither SANBAG, its officials, agents, employees, attorneys and representatives, are responsible for selection, management or supervision of the Products or of the Products' performance. Owner acknowledges and understands that any issues related to performance of the Products should be discussed with chosen contractors or installers, and the manufacturer or distributor of the Products.
- b) To the extent permitted by law, Owner shall indemnify, defend, protect, and hold harmless SANBAG and any and all officials, agents, employees, attorneys and representatives of SANBAG, the purchasers of any bonds issued to finance the installation of the Products 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 attorneys' fees) and any demands of any nature whatsoever related directly or indirectly to, or arising out of or in connection with, (i) the Contract Documents, (ii) disbursement of the Disbursement Amount, (iii) the Products, (iv) any breach or Default by Owner under the Contract Documents, (v) the levy and collection of the Assessment and the Annual Assessment Administrative Fee, (vi) the imposition of the lien of the Assessment, and (vii) any other fact, circumstance or event related to SANBAG's extension and payment of the Disbursement Amount to or on behalf of Owner or Owner's performance of its obligations under the Contract Documents (collectively, the "Liabilities"), regardless of whether such Liabilities shall accrue or are discovered before or after the Disbursement. If the Property is located in an incorporated area, this indemnity shall extend to officials, agents, employees, attorneys and representatives of the city in which the Property is located. If the Property is located in an unincorporated area, this indemnity shall extend to officials, agents, employees, attorneys and representatives of the County. This indemnity shall also extend to the purchasers of any bonds issued to finance the installation of the Products and such purchasers' officials, agents, employees, attorneys and representatives. Each of the parties to which the indemnifications provided for in this paragraph b) extend shall be referred to as the "Indemnified Parties."
- c) The indemnity obligations described in this Section shall survive the disbursement of funds to Owner, the payment of the Assessment in full, the transfer or sale of the Property by Owner, and the termination of this Contract.

16) Waivers, including Waiver of Claims

- a) Because this Contract reflects Owner's free and willing consent to enter into this Contract and to pay the Assessment and the Annual Administrative Assessment Fee, Owner hereby waives any otherwise applicable requirements for or right to the preparation of an engineer's report, notice of public hearing, public hearing, protest or opportunity to submit an assessment ballot in support of or in opposition to the Assessment pursuant to Article XIII D of the California Constitution, the Proposition 218 Omnibus Implementation Act (commencing at California Government Code Section 53750) and any other provision of California law.

Owner agrees and acknowledges that the Assessment is not a "tax" as used in Section 1(e) of Article XIII C of the California Constitution and that if such Assessment is a levy, charge, or exaction of any kind by SANBAG, it is a charge imposed for a specific benefit conferred or privilege granted to Owner that is not provided to those not charged, and which does not exceed the reasonable costs to SANBAG of conferring the benefit or granting the privilege to Owner. Owner further knowing and voluntarily waives

any otherwise applicable requirements for or rights granted under Article XIII A or XIII C pertaining to the Assessment.

Owner hereby waives Owner’s right to repeal or reduce the Assessment by initiative or any other action, or to file any lawsuit or other proceeding, at law or in equity, to challenge the validity of the Assessment or the proceedings of SANBAG, or any portion thereof, undertaken in connection with the establishment of the Program.

- b) For and in consideration of SANBAG’s execution and delivery of this Contract, Owner, for itself and for its successors-in-interest to the Property and for any one claiming by, through, or under Owner, hereby waives the right to recover from and fully and irrevocably releases the Indemnified Parties and each of them from any and all claims, obligations, liabilities, causes of action, or damages, including attorneys’ fees and court costs, that Owner may now have or hereafter acquire against any of Indemnified Parties and accruing from or related to (i) the Contract Documents, (ii) the disbursement of the Disbursement Amount, (iii) the levy and collection of the Assessment and the Annual Assessment Administrative Fee, (iv) the imposition of the lien of the Assessment, (v) the issuance and sale of any bonds or other evidences of indebtedness, or other financial arrangements entered into by SANBAG pursuant to the Program, (vi) the performance of the Products, (vii) the Products, (viii) any damage to or diminution in value of the Property that may result from construction or installation of the Products, (ix) any personal injury or death that may result from the construction or installation of the Products, (x) the selection of manufacturer(s), dealer(s), supplier(s), contractor(s) and/or installer(s), and their action or inaction with respect to the Products, (xi) the merchantability and fitness for any particular purpose, use or application of the Products, (xii) the amount of energy savings resulting from the Products and the Products, (xiii) the workmanship of any third parties, and (xiv) any other matter with respect to the Program. This release includes claims, obligations, liabilities, causes of action, and damages of which Owner is not presently aware or which Owner does not suspect to exist which, if known by Owner, would materially affect Owner’s release of the Indemnified Parties.

OWNER HEREBY ACKNOWLEDGES THAT IT HAS READ AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542 (“SECTION 1542”), WHICH IS SET FORTH BELOW:

“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. **Owner’s Initials:** _____

The waivers and releases by Owner contained in this Section 16 shall survive the disbursement of the Disbursement Amount, the payment of the Assessment in full, the transfer or sale of the Property by Owner, and the termination of this Contract.

- 17) Further Assurances** Owner shall execute any further documents or instruments consistent with the terms of this Contract, including documents and instruments in recordable form, as SANBAG shall from time to time find necessary or appropriate to effectuate its purposes in entering into this Contract and disbursing funds to Owner.

18) Events of Default

- a) Remedies with respect to the nonpayment of the Assessment or other amounts payable by Owner hereunder are governed by the provisions of Section 8 hereof and state law.
- b) The failure of any of Owner's representations or warranties to be correct in all material respects, or the failure or delay by Owner to perform any of its obligations under the terms or provisions of the Contract Documents, other than with respect to the payment of the Assessment, the Annual Assessment Administrative Fee, or other amount payable by Owner shall constitute a non monetary default hereunder ("Default"). Owner must immediately commence to cure, correct, or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence, but in any event, within the time set forth in paragraph (c) below.
- c) If a Default occurs, prior to exercising any remedies under the Contract Documents or Chapter 29, SANBAG shall give Owner notice of such Default. If the Default is reasonably capable of being cured within thirty (30) days, Owner shall have such period to effect a cure prior to exercise of remedies by SANBAG under the Contract Documents or Chapter 29. If the Default is such that it is reasonably capable of being cured, but not within such thirty (30) day period, and Owner (i) initiates corrective action within such thirty (30) day period, and (ii) diligently, continually, and in good faith works to effect a cure as soon as possible, then Owner shall have such additional time as is reasonably necessary to cure the Default prior to exercise of any remedies by SANBAG. However, in no event shall SANBAG be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a Default, or if the Default is not cured within one hundred and twenty (120) days after the first notice of Default is given.
- d) Subject to the provisions of paragraph (c), above, if any Default occurs SANBAG may exercise any or all of the rights and remedies available to it under applicable law, at equity, or as otherwise provided herein. Upon the election of SANBAG, if there has been no Disbursement, this Contract shall terminate and, except as otherwise expressly provided herein, the parties shall have no further obligations or rights hereunder.
- e) Except as provided in Section 22, any and all costs and expenses incurred by SANBAG in pursuing its remedies hereunder shall be additional indebtedness of Owner to SANBAG.
- f) Except as otherwise expressly stated in this Contract or as otherwise provided by applicable law, the rights and remedies of SANBAG are cumulative, and the exercise of one or more of such rights or remedies shall not preclude the exercise by SANBAG, at the same time or different times, of any other rights or remedies for the same Default or any other Default. No failure or delay by SANBAG in asserting any of its rights and remedies as to any Default shall operate as a waiver of any Default or of any such rights or remedies, or deprive SANBAG of its rights to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.
- g) Performance of the covenants and conditions imposed upon Owner hereunder with respect to the commencement and completion of the Products shall be excused while and to the extent that, Owner, through no fault or negligence of its own, is prevented from complying therewith by war, riots, strikes, lockouts, action of the elements, accidents, or acts of God beyond the reasonable control of Owner; provided, however, that as soon as the cause or event preventing compliance is removed or ceases to exist the obligations shall be restored to full force and effect and Owner shall immediately resume installation of the Products.

19) Severability Each and every provision of this Contract is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Contract or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Contract, or the application of

such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Contract shall be valid and shall be enforced to the extent permitted by law.

20) Notices All notices and demands shall be given in writing by first class mail, postage prepaid, or by personal delivery (by recognized courier service or otherwise). Notices shall be considered given upon the earlier of (a) personal delivery or (b) two (2) business days following deposit in the United States mail, postage prepaid. Notices shall be addressed as provided in the "Notice Information" section of Exhibit A attached hereto and incorporated herein by this reference for the respective party; provided that if any party gives notice in writing of a change of name or address, notices to such party shall thereafter be given as demanded in that notice.

Notwithstanding anything set forth above, after disbursement of the Disbursement Amount to Owner, all notices regarding the assessment shall be sent only as provided by state law.

21) Attorneys' Fees and Costs In the event that any action is instituted to enforce payment or performance under this Contract, the parties agree that the non-prevailing party shall be responsible for and shall pay all costs and all attorneys' fees incurred by the prevailing party in enforcing this Contract.

22) No Waiver No disbursement of the Disbursement Amount based upon inadequate or incorrect information shall constitute a waiver of the right of SANBAG to receive a refund thereof from Owner.

23) Governing Law This Contract shall be governed by the substantive law of the State of California, regardless of any law of conflicts to the contrary in any jurisdiction. Any legal action brought under this Contract must be instituted in the Superior Court of the County of San Bernardino, State of California.

24) Assignment by SANBAG SANBAG, at its option, may (i) assign any or all of its rights and obligations under this Contract, and (ii) pledge and assign its right to receive the Assessment and the Annual Assessment Administrative Fee, and any other payments due to SANBAG hereunder, without obtaining the consent of Owner.

25) Owner Assignment Prohibited In no event shall Owner assign or transfer any portion of this Contract or Owner's obligations under the Contract without the prior express written consent of SANBAG, which consent may be granted or withheld in the sole and absolute discretion of the SANBAG. Sale, transfer, or rental of the Property is not an assignment or transfer of this Contract.

26) Carbon Credits Owner agrees that any carbon credits or renewable energy credits attributable to the Products shall be owned by SANBAG (on behalf of the Program).

27) Entire Agreement; Counterparts; Amendment This Contract, together with the other Contract Documents, is the entire agreement between the parties. Any other agreement related to the Products, and any amendment to this Contract, must be signed in writing by both parties. If there is more than one "Owner," the obligations hereunder of all Owners shall be joint and several.

This Contract may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.

28) Further Documents SANBAG and Owner agree that they shall sign, deliver and if appropriate record any additional documents necessary to effectuate the purposes of this Contract. Upon expiration or termination of this Contract, SANBAG and Owner agree to shall sign and record any document reasonably necessary to cancel this Contract from the public records as to the Property.

29) Special Termination Notwithstanding anything to the contrary contained herein, this Contract shall terminate and be of no further force or effect if Owner has submitted to SANBAG a notice of its decision to

cancel this transaction on or prior to the date and time described in the Notice of Right to Cancel which was delivered to Owner upon its execution of this Contract.

30) No Third Party Beneficiary Rights This Contract is entered into for the sole benefit of Owner and SANBAG and, subject to the provisions of Sections 13, 14, 15, and 25, no other parties are intended to be direct or incidental beneficiaries of this Contract and no third party shall have any right in, under or to this Contract.

31) Contract Date The date on which SANBAG or its representative sends this Contract to the Owner or Owners for execution shall be referred to herein as the "Contract Date."

32) Recordation of Contract SANBAG may file this Contract for recordation with the County Recorder of the County either as a separate instrument or as a part of the Notice of Assessment within ten (10) days after the last day entered with the signatures below.

Owner(s) must execute and return this Contract to SANBAG at the address set forth in the "Notice Information" section of Exhibit A hereto so that it is received by SANBAG not later than _____, 20__. All signatures of the Owner(s) must be notarized by a duly licensed notary.

IN WITNESS WHEREOF , Owner and SANBAG have entered into this Contract as of the Effective Date.			
Owner 1:		Owner 2:	
[OWNER 1 NAME]		[OWNER 2 NAME]	
<i>Owner 1 Name (Please Print)</i>		<i>Owner 2 Name (Please Print)</i>	
By:		By:	
<i>Owner 1 Signature (Must be Notarized)</i>		<i>Owner 2 Signature (Must be Notarized)</i>	
Date of Execution by Owner 1:		Date of Execution by Owner 2:	
, 20		, 20	
<i>Date</i>	<i>Year</i>	<i>Date</i>	<i>Year</i>

SANBAG: Executive Director and/or his or her designee
<i>Name (Please Print)</i>
By:
<i>SANBAG Signature (Must be Notarized)</i>
Date of Execution by SANBAG:

**COMMERCIAL HERO PROGRAM
ASSESSMENT CONTRACT**

EXHIBIT A

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

Description of Property:

Owner(s) Name(s):

Property Address:

APN:

Participating Member Agency:

Legal Description:

Description of Products:

The Products include the following:

Notice Information:

**COMMERCIAL HERO PROGRAM
ASSESSMENT CONTRACT**

EXHIBIT B

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

List of Contract Documents:¹

The Contract shall consist of the following documents:

- This Contract and the exhibits hereto;
- The Application;
- The Funding Request;
- The Assessment Cost and Payment Summary;
- The Notice of Assessment;
- The Payment of Contractual Assessment Required;
- The SANBAG Energy Efficiency and Water Conservation Program for Western San Bernardino County, Residential HERO Program Handbook, Version ____, dated _____, 2011; and
- SANBAG HERO Program website located at <http://SANBAG.herofinancing.com>.

Disbursement:

The Disbursement Amount is \$_____.

The Disbursement Date is \$_____.

¹ The List of Contract Documents may vary depending upon the financing plan being used for a particular parcel. In any event the terms of the Assessment Contract entered into for a particular parcel will govern if there is any conflict between such Assessment contract and Appendix C.

Schedule of Annual Assessment Installments:

Assessment Interest Rate: _____%

Tax Year (commencing July 1)	Interest	Principal	Total Principal and Interest	Current Annual Assessment Administrative Fee	Total Annual Assessment Installment
20__ - 20__ *					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					
20__ - 20__					

*Initial Tax Year

Prepayment Fee and Prepayment Premium Schedule:

Processing Fee: The fee for processing the prepayment of the Assessment in whole or in part shall be \$_____.

Prepayment Premium: The prepayment premium applicable to the principal amount of the Assessment to be prepaid in whole or in part in increments of \$5,000 pursuant to Section 11 of the Assessment Contract shall be 5%.

**DRAFT HERO COMMERCIAL PROGRAM
ASSESSMENT CONTRACT**

HERO® Commercial Program Application

The HERO® Commercial Program (the program) provides PACE financing for the installation of eligible energy, renewable energy and, where allowed under state law, water efficiency systems and other improvements that are permanently fixed to the property owner's real property. For more program details, please refer to the HERO Commercial Program Handbook for the applicable state.

To submit an application to determine your eligibility for PACE financing, please complete the following application form. To save your progress, right click and choose "Save As."

1. Eligibility (check all that apply)

Eligibility for the program requires that each of following conditions be met.

I/We are the property owner(s) of record or are authorized to act on behalf of the legal owner.

I am/we are not in bankruptcy and have not been in bankruptcy in the past 2 years.

Property is not listed as an asset in a current bankruptcy.

Property is not in mortgage default.

2. Applicant & Property Ownership

Who is submitting this application?

Name:

Phone:

Fax:

Email:

Title:

Company:

The property is owned by:

A single individual

Multiple individuals

A trust

A limited liability company or corporation

A partnership

Other (please specify):

Property Owner(s) Name(s):

Owner 1 Name of Business or Individual Ownership %

Owner 2 Name of Business or Individual Ownership %

Owner 3 Name of Business or Individual Ownership %

HERO Commercial Program Application

3. Property Information

Property Address

City

State

Zip Code

Assessor's Property/Parcel Number(s):

Property Type

Office

Agricultural

Multi-family

Industrial

Condominium

Retail

Apartment

Hotel

Co-op

Education

Special Purpose

Please describe the existing use of the property:

Gross square footage:

Number of Units (if multifamily):

Property Value:

Source of Value (choose one)

Assessment

Appraisal

Last Sale

Other, please specify:

Are there any federal or state income tax liens, judgment liens or other involuntary liens on the property?

Yes (If yes, describe)

No

Is the property owner-occupied (or more than 60% occupied by a tenant that is owned or controlled by the property owner)?

Yes

No

HERO Commercial Program Application

Is the property subject to the payment of property taxes?

Yes

No

If yes, is the property current on all property taxes, with no more than one late payment in the past 3 years (or since present owners acquired the property)?

Yes

No

4. Mortgage

Is there an existing mortgage on the property?

Yes

No

Is there a second mortgage on the property?

Yes

No

Total current outstanding mortgage balance:

5. Project

Select the type of project you are seeking to finance

solar

energy efficiency

solar & energy efficiency

water efficiency

other renewable energy

Describe the proposed improvements:

Estimated total project cost:

Estimated construction duration:

Estimated dollar amount of any utility incentives or rebates:

HERO Commercial Program Application

6. Contractor

Has a contractor been selected for the proposed project?

Yes

No

If yes, please provide information on the contractor

Company:

Location:

Primary Contact (Name):

Phone:

Email:

Note: Prior to project approval, the selected contractor must register with the HERO Program at register.renovateamerica.com and agree to program terms and conditions.

Submitting Your Application

Thank you for completing your application. When you are ready, please save this PDF file to your computer or tablet, and then hit the "Submit Application" button below. An email will open up automatically with your application attached.

Following receipt of your application, a representative of the program will contact you to confirm your property's eligibility for HERO financing and to request additional supporting documentation to complete the application process (see document list below).

Following review of your application, we will contact you to request the following documents:

- *Current year budgeted operating statement for the property*
- *Previous two years' operating statements and balance sheets for the property*
- *Current rent roll for the property (listing tenants, lease payments, square footage, and lease expiration dates (if applicable))*
- *If at least 60% of the building is occupied by a tenant owned or controlled by the property owner(s):*

- Current balance sheet and previous two years' audited/reviewed financial statements or federal tax returns for the tenant's business

- *Contractor quote or construction contract*
- *Project analysis or feasibility study*
- *Copy of recent mortgage statement(s) and loan documents (if applicable)*
- *Copy of most recent appraisal (if available)*

Once documentation is complete, a non-binding term sheet for HERO financing will be provided outlining a summary of PACE financing terms for this project.

HERO Commercial Program Application

Disclosures and Acknowledgements

Renovate America, Inc. ("Renovate America") is the administrator of the HERO Commercial Program. Each PACE financing will be made pursuant to an assessment contract between the local municipality and the property owner. Such financing will be secured by an assessment lien levied against the property until paid in full and will be added as an assessment on the property tax bill. Assessment installments on the property tax bill are subject to the same penalties, remedies and lien priorities as ad valorem taxes.

YOU SHOULD CAREFULLY REVIEW ANY MORTGAGE AGREEMENT(S) OR OTHER SECURITY INSTRUMENT(S) WHICH AFFECT THE PROPERTY OR TO WHICH YOU AS THE PROPERTY OWNER ARE A PARTY. ENTERING INTO AN ASSESSMENT CONTRACT WITHOUT THE CONSENT OF YOUR EXISTING LENDER(S) COULD CONSTITUTE AN EVENT OF DEFAULT UNDER SUCH AGREEMENTS OR SECURITY INSTRUMENTS. RENOVATE AMERICA MAY ASSIST WITH THE LENDER ACKNOWLEDGEMENT / CONSENT PROCESS WHERE APPLICABLE, BUT IT WILL NOT PROVIDE ADVICE REGARDING EXISTING AGREEMENTS OR SECURITY INSTRUMENTS.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against Credit Applicant(s) on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant(s) income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal Agency that administers compliance with this law concerning this creditor is the Federal Trade Commission, Division of Credit Practices, Washington, D.C. 20580.

You hereby authorize Renovate America to make all inquiries necessary to verify the accuracy of the statements and to obtain a credit report, account balances and other credit information and to verify the balances and credit information. As part of assembling your program application, Renovate America has requested a credit report bearing your credit worthiness, credit standing and credit capacity. This notice is given to you pursuant to the Fair Credit Reporting Act. You consent and specifically authorize Renovate America, as it may deem necessary and desirable, to forward any documentation and information which Renovate America now has or may hereafter acquire in connection with any transaction between you and Renovate America to the local municipality sponsoring the program, any potential investor, and any other party involved in the securitization or transaction involving any PACE financing granted to you.

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: As part of applying to the program, Renovate America may be required to ask for your name, address, date of birth, and other information that will allow it to identify you. Renovate America may also need a copy of the driver's license or other identifying documents from any and all borrowers and guarantors.

You agree that Renovate America, its affiliates, agents and service providers may monitor and record telephone calls regarding this application or the PACE financing transaction to ensure the quality of service or for other reasons. You also expressly consent to Renovate America, its affiliates, agents and service providers using written, electronic or verbal means to contact you, including but not limited to contact by manual calling methods, prerecorded or artificial voice messages, text messages, emails and/or automatic telephone dialing systems to the telephone number and email address provided above. Consent is not required as a condition of purchasing any goods or services. If you provided a mobile number, charges may apply.

Completion and submission this application does not guarantee PACE financing. Actual financing is contingent on full review and approval by Renovate America and the local municipality.

By submitting this application, the applicant certifies that the above information is true and complete.

Electronic Signature Required

**SANBAG HERO COMMERCIAL PROGRAM
ASSESSMENT CONTRACT**

This Assessment Contract (“**Agreement**”) is made and entered into as of this _____ day of _____, 2016, by and between the SAN BERNARDINO ASSOCIATED GOVERNMENTS, a joint exercise of powers authority (the “**Authority**”), and _____ (the “**Property Owner**”), in order to set out the Property Owner’s agreement to use monies advanced by the Authority to finance the acquisition, construction, or installation of Improvements (as defined below) on the Property described on Exhibit A attached (the “**Project**”).

RECITALS

WHEREAS, the Authority has established the SANBAG Home Energy Renovation Opportunity (“HERO”) Program (the “**SANBAG HERO Commercial Program**” or the “**Program**”) to allow the financing of certain renewable energy, energy efficiency and water efficiency improvements and electric vehicle charging infrastructure that are permanently fixed to commercial real property (the “**Improvements**”) through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the California Streets & Highways Code (“**Chapter 29**”) and the issuance of improvement bonds under the Improvement Bond Act of 1915 (the “**1915 Act**”) (collectively, the “**PACE Act**”) upon the security of the unpaid contractual assessments;

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;

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

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 participating in the HERO Program and (ii) the Authority conducting assessment proceedings under Chapter 29 and issuing bonds under the 1915 Act to finance the Authorized Improvements;

WHEREAS, the purpose and method of administration of the assessments under the Program are described in the SANBAG HERO Commercial Program Handbook as it may be amended from time to time (the “**Handbook**”);

WHEREAS, the Property Owner has submitted to the Authority that certain HERO Commercial Financing Program Application (the “**Application**”) and the Authority has approved the Application as provided in the Handbook;

WHEREAS, the renewable energy system, energy efficiency or water efficiency equipment which shall be financed with the proceeds of the financing described herein, and which shall be constructed on or installed on the property of Property Owner (the “**Property**”) are described in Exhibit A attached hereto and incorporated herein by this reference;

WHEREAS, Property Owner wishes to participate in the Program by executing this Agreement with the Authority and thereby requests that the Authority finance the acquisition, construction, and installation of the Improvements on the Property and as provided herein the Authority shall provide the proceeds directly to one or more licensed contractors selected by Property Owner and qualified to participate in the Program by the Authority (the “**Contractor**”) to pay for the Improvements in accordance with the guidelines outlined in the Handbook; and

WHEREAS, Property Owner acknowledges that funding for the Improvements will be provided by the Authority through the issuance of bonds, notes or other obligations secured in whole or in part by the payment by Property Owner of amounts required to be paid hereunder.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

ARTICLE I – THE FINANCING

Section 1.1 Financing of Improvements. Subject to the conditions set forth herein, the Authority agrees to provide financing to Property Owner for the purpose of acquiring, installing, and constructing the Improvements in a dollar amount (the “**Financed Amount**”) calculated pursuant to the schedule of financing terms, which is attached hereto as Exhibit B and incorporated herein by this reference (the “**Schedule of Financing Terms**”). Property Owner shall be solely responsible for the payment of all costs of the Improvements which exceed the Financed Amount and Property Owner agrees, in any event, to complete the Improvements and to fund all costs associated with such completion which may be in excess of the Financing Amount.

Section 1.2 Interim Disbursements During Installation or Construction Period. If the Property Owner is approved for interim disbursements prior to the Outside Completion Date, the Authority shall (i) cause the Financed Amount to be deposited with the municipal trustee for the Program, (ii) cause bonds to be issued and sold to eligible investors in the amount equal to the Financed Amount deposited with such municipal trustee, and (iii) cause all instruments, documents and agreements described in this Agreement to be recorded. For the period beginning on the date hereof and extending through the Outside Completion Date, the Property Owner shall submit or cause to be submitted to the Program Administrator fully executed Completion Certificates acknowledging installation of the various types or categories of Improvements pursuant to the Schedule of Milestones as listed in Exhibit B. Upon receipt of such Completion Certificates and provided that the Authority shall not have any obligation to disburse portions of the Financed Amount unless and until the Property Owner shall have fulfilled all of the conditions as set forth in Section 2.1, the Authority shall cause the disbursement amount reflected in each such Completion Certificate to be disbursed to the Contractor who installed such Improvements. The

Property Owner hereby freely and willingly agrees to pay the additional fee (the “**Failure to Close Fee**”) identified in the Schedule of Financing Terms in the event that the Property Owner fails to complete installation of the Improvements on or before the Outside Completion Date under the terms of this Agreement. The Property Owner acknowledges and agrees that the purpose of the Failure to Close Fee is to make the Authority and its Program Administrator whole and to pay any costs incurred by the Authority in processing Property Owner’s application and filing (and releasing) of the Assessment Lien.

Section 1.3 Special Assessment Payments. Property Owner hereby promises to pay, without offset or deduction, assessments for a period not to exceed twenty (20) years, plus the costs of any required energy audits and inspections, and such administration fees, interest and other financing costs reasonably required by the Authority (the “**Assessment**”). Property Owner voluntarily and expressly consents to the levy of the assessment and imposition of the Assessment Lien on the Property as described herein and in the PACE Act. Interest shall accrue on the unpaid principal balance of the Financed Amount from the date of disbursement of Financed Amount and shall be computed on the basis of a three hundred sixty (360) day year. Assessments shall be due and payable in equal installments as set forth in the Schedule of Financing Terms. In addition to this Assessment, Property Owner hereby promises to pay, promptly upon demand, (i) all costs incurred in the collection of any such Assessment if not timely paid, including, but not limited to, fees to any governmental unit or official, interest, penalties, court costs and legal fees and expenses, and (ii) all interest and premium, if any, that the Authority may become obligated to pay as a result of payment of all or any portion of the Assessment prior to the date the final installment is due.

Section 1.4 Administrative Expenses. The Property Owner hereby acknowledges and agrees that the Authority may add amounts to the Assessment and a payment fee (collectively, the “**Additional Administrative Fee**”) in order to pay for the costs of collecting and administrating the Assessment.

Section 1.5 Prepayment. The outstanding principal balance of the Financed Amount may be prepaid, in whole or in any amount of at least \$5,000, at any time upon the payment of a premium in an amount equal to a percentage of the amount of the principal to be prepaid as calculated pursuant to the Schedule of Financing Terms. In addition, prepayment costs may also include trustee fees, bond interest, and other related charges.

Section 1.6 Security for Financing. Upon recordation of this Agreement, the Assessment and each installment thereof, and the interest and penalties thereon, shall constitute a lien upon the Property until paid (the “**Assessment Lien**”). This Agreement is being executed and delivered in compliance with the PACE Act which requires that an assessment contract shall be recorded in the real estate records of the County Recorder of Deeds. Property Owner hereby authorizes and directs the Authority to cause to be recorded in the County Recorder the various notices and other documents required by the PACE Act and other applicable laws to be recorded against the Property. In addition, during construction or installation of the Project, the Authority may require a guaranty of completion, payment and performance as more specifically described herein. The assessments shall be included on the property tax bill for the Property, and shall be subject to the same penalties, remedies, and lien priorities as are property taxes in the event of non-payment.

Section 1.7 Covenant Running with the Land. The obligations set forth in this Agreement, including the obligation to pay Assessments, are a covenant that shall run with the land and be obligations upon future owners of the Property.

Section 1.8 Effect of Subdivision of Property. Property Owner acknowledges that no subdivision of the Property subject to this Agreement shall be valid unless an amendment to this Agreement divides the total Assessment due between the newly subdivided parcels pro rata to the special benefit realized by each subdivided parcel.

Section 1.9 Billing and Collection. Property Owner understands that the Assessments shall be added to the bill for ad valorem real estate taxes issued by the county collector. The Property Owner hereby agrees to pay all property taxes due on the Property plus the Assessment Lien to the County in installments as set forth in the Exhibit B with property taxes on the Property. The Assessments have the same priority, and are subject to collection by the same means, as ad valorem real estate taxes, and Property Owner agrees that the Authority may enforce collection by pursuing any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of such Assessments and interest thereon.

Section 1.10 Foreclosure. 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 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.

ARTICLE II – USE OF PROCEEDS

Section 2.1 Disbursement Procedures. Notwithstanding anything to the contrary contained herein, the Authority shall have no obligation to disburse the funds for the Improvements to Contractor(s) unless and until each of the following conditions are satisfied, or any such condition is expressly waived in writing by the Authority:

(a) A written certification from the Property Owner and Contractor(s) that performed the work incident to the construction and installation of the Project stating the actual cost of such Improvements for which disbursement is requested and stating that the installation of the Improvements is complete (the “**Completion Certificate**”).

(b) A site inspection of the Property by the Authority or its designee, and a determination by the Authority that the Improvements have been installed on the Property.

(c) The receipt by the Authority of statements of Contractor(s), under penalty of perjury, and releases or waivers of lien, and any such other documents and instruments as the Authority may require, all in compliance with the requirements of applicable law.

(d) Property Owner has, as appropriate, executed and delivered to the Authority such other documents or instruments pertaining to the financing or the Improvements as the Authority may require.

(e) No stop payment or mechanic's lien notice pertaining to the Improvements has been served upon Property Owner or the Authority or recorded against the Property and which remains in effect.

Section 2.2 Reports. Property Owner shall, upon the request of the Authority, deliver within ten (10) days to the Authority and the Program Administrator, or, if appropriate, cause its Contractor to deliver within ten (10) days to the Authority and the Program Administrator, a written report regarding the status of the Project and installation of the Improvements.

Section 2.3 Excess Funds. In the event that the total actual cost to complete the Project is less than the Financed Amount (such amount, the "Excess Funds"), then such Excess Funds shall be confirmed in the Completion Certificate. Unless otherwise approved by the Authority in writing, the Excess Funds shall be paid over to the Program Administrator on the date of disbursement to be held in a restricted account in the name of Property Owner and funded from time to time by the Authority for payment of taxes and the Assessment Lien then due or, at the Authority's election, funded from time to time directly to the county for payment on behalf of the Property Owner for payment of taxes and/or the Assessment Lien amount as and when such Property taxes and assessments are due. Such Excess Funds payments shall be made until the Excess Funds are fully depleted.

Section 2.4 Economic Benefit. Property Owner expressly acknowledges that the construction and/or installation of the Project on the Property confer a special economic benefit to the Property in an amount at least equal to the total Assessments under this Agreement.

ARTICLE III – REPRESENTATIONS AND WARRANTIES OF PROPERTY OWNER

Property Owner represents and warrants that each representation and warranty set forth below is true, accurate and complete as of the date of this Agreement. The disbursement of the Financed Amount shall be deemed to be a reaffirmation by Property Owner of each and every representation and warranty made by Property Owner in this Agreement.

Section 3.1 Organization and Authority. Property Owner is duly organized, validly existing and in good standing in the state of its organization and with authority to do business under the laws of the State of California. Property Owner has all necessary power and authority to own the Property and to conduct its business and enter into the transactions contemplated hereby. Property Owner has the right to enter into and perform this Agreement, and the execution, delivery and performance of this Agreement and all other documents executed in connection therewith have been duly authorized, executed and delivered and constitute valid and binding obligations of Property Owner, each enforceable in accordance with its respective terms.

Section 3.2 Financial Statements. All financial statements delivered to the Authority and its Program Administrator are true and correct, have been prepared in accordance with generally accepted

accounting principles (or such alternate accounting method acceptable to the Authority) consistently applied, fairly represent the financial condition of Property Owner as of the date thereof, and no material adverse change has occurred in the financial condition presented therein since such date.

Section 3.3 No Litigation. There are no actions, suits or proceedings pending, or to the knowledge of Property Owner threatened, against or affecting it or the Property which could materially adversely affect Property Owner, its financial condition, the Property or the construction of the Project or Property Owner's ability to satisfy its obligations under this Agreement.

Section 3.4 Title. Property Owner has good and insurable title to the Property subject only to the permitted encumbrances approved by the Authority and its Program Administrator. Property Owner shall deliver a title report to the Authority or its Program Administrator confirming that, as of the date of determination, the Assessment Lien as a lien against the Property is subject only to real property taxes, pari passu assessment liens of record and then existing encumbrances listed on such title report.

Section 3.5 Compliance with Laws. Property Owner has complied with, and will continue to comply with, all applicable statutes, regulations and ordinances in connection with the Property and construction of the Project. All permits, consents, approvals and authorizations required to be issued by any governmental body (collectively, the "**Permits**") necessary for (a) the construction of the Project in accordance with the plans and specifications submitted by Property Owner; (b) the construction, connection and operation of all utilities necessary to service the Project; and (c) the construction and use of all roadways, driveways, curb cuts and other vehicular or other access to and egress from the Project, either (i) have been obtained, are valid, are in full force and effect and have been complied with by the Property Owner in all respects; or (ii) will be obtained, will be valid, will be in full force and effect prior to the initiation of construction, and Property Owner will be in compliance therewith in all respects prior to the Authority's disbursing any Financed Amount proceeds. Construction and installation of the Project will comply with applicable zoning, use, building or other applicable codes, laws, regulations and ordinances and any restrictive covenants affecting the Property.

Section 3.6 Marijuana and Environmental Matters. Property Owner does not and will not engage (nor will it allow any tenants of the Property to engage) in operations that involve the growth, testing, production or distribution of marijuana, nor the generation, manufacture, refining, transportation, treatment, storage or handling of hazardous materials or hazardous wastes, pursuant to applicable state law, or any other federal, state or local environmental laws or regulations, and, to the best of Property Owner's knowledge, after due inquiry, neither the Property nor any other of its buildings thereon has been so used previously, except as previously disclosed in writing to and approved by the Authority and the Program Administrator.

Section 3.7 Compliance with Documents. No Event of Default (as defined herein) has occurred hereunder, and no event has or shall have occurred and be continuing, which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default.

Section 3.8 No Misrepresentation or Material Nondisclosure. Property Owner has not made and will not make to the Authority or to the Program Administrator, in this Agreement or otherwise, any

untrue statement of a material fact, nor has it omitted and nor will it omit to state a material fact necessary to make any statement made not misleading.

Section 3.9 Insurance. Property Owner has provided to the Authority and the Program Administrator satisfactory evidence of current insurance policies on the Property meeting the requirements set forth below:

(a) property insurance on the Property, written on an “all risk” or broad special perils form, in an amount equal to the full current replacement value of the property, on an agreed value (no coinsurance) basis, and with a deductible not to exceed \$10,000. Such coverage may be written as part of a blanket property policy, but if written as part of, a blanket policy, Property Owner must provide evidence that the policy does not include a margin clause, or, if there is a margin clause, that the value declared is equal to the full current replacement value of the property. Each of the Authority and the Program Administrator must be named as loss payee on the policy, and the policy must provide for ten (10) days’ notice to the Authority and the Program Administrator in the event of cancellation or nonrenewal;

(b) commercial general liability insurance with limits of \$1,000,000.00 per occurrence;

(c) each of the Authority and the Program Administrator must be named as an additional insured;

(d) such insurance shall be maintained in force during the term of the Assessment. All insurance policies must be issued by insurance companies admitted in the State of California and with a Best rating of “A-” or better, and in form and content reasonably acceptable to Authority and the Program Administrator; and

(e) should Property Owner fail to maintain required insurance, the Authority may obtain such required insurance in amounts and limits sufficient to protect the Authority’s interest, and charge back the cost to Property Owner.

ARTICLE IV – ADDITIONAL COVENANTS AND AGREEMENTS

Property Owner covenants and agrees, as follows:

Section 4.1 Completion and Maintenance of the Improvements. Property Owner shall cause Contractor to commence within thirty (30) days of this Agreement, construction of the Improvements, and diligently continue to completion, in a good and workmanlike manner and in accordance with sound construction and installation practices. Property Owner shall maintain the Improvements in good condition and repair. Construction of the Project shall be completed on or prior to the Outside Completion Date as defined in the Schedule of Financing Terms attached as Exhibit B.

Section 4.2 Compliance with Law and Agreements. In commencing and completing the Improvements, Property Owner shall comply with all existing laws, regulations, orders, building restrictions and requirements of, and all agreements with and commitments to, all governmental, judicial

and legal authorities having jurisdiction over the Property or the Improvements and which are applicable to the Improvements, and with all recorded instruments, agreements, and covenants and restrictions affecting the Property.

Section 4.3 Permits, Licenses and Approvals. Property Owner shall properly obtain, comply with and keep in effect all permits, licenses and approvals which are required to be obtained from any governmental authority in order to commence and complete the Improvements. Property Owner, upon the request of the Authority or the Program Administrator, shall deliver within fifteen (15) days, copies of all such permits, licenses and approvals to the Authority or the Program Administrator.

Section 4.4 Site Visits. Property Owner grants the Authority, its agents and representatives the right to enter and visit the Property at any reasonable time, after giving reasonable notice to Property Owner, for the purposes of observing the Improvements. The Authority, its agents and representatives will make reasonable efforts during any site visit to avoid interfering with Property Owner's use of the Property. Property Owner shall also allow Authority or the Program Administrator to examine and copy records and other documents of Property Owner which relate to the Improvements. The Authority is under no duty to visit the Property, or observe any aspects of the Improvements, or examine any records, and the Authority shall not incur any obligation or liability by reason of not making any such visit or examination. Any site visit, observation or examination by the Authority shall be solely for the purposes of protecting the Authority's rights under the Agreement.

Section 4.5 Protection against Lien Claims. Within thirty (30) days of completion of the Project, Property Owner shall pay or otherwise discharge any claims and liens for labor done and materials and services furnished to the Property in connection with the Improvements, and take all other steps necessary to prevent the assertion of mechanics' or materialmen's claims or liens either against the Property or the Project. Property Owner shall have the right to contest in good faith any claim or lien, provided that it does so diligently and without delay in completing the Improvements.

Section 4.6 Notice of Claims; Adverse Matters. Property Owner shall promptly notify the Authority and the Program Administrator in writing of all pending or threatened litigation or other matters that may materially and adversely affect the Property or Property Owner's ability to meet its obligations under this Agreement or otherwise with respect to the Project.

Section 4.7 Damage or Destruction. Property Owner shall promptly notify the Authority and the Program Administrator if the Property is damaged or destroyed by fire or any other cause. Upon the occurrence of such casualty, the parties will agree to either apply the insurance proceeds to the restoration of the Property, or, with the prior written approval of the Authority, to repayment of the outstanding balance of the Assessment.

Section 4.8 Notice of Default. Property Owner shall notify Authority within fifteen (15) days in writing of any Event of Default (as defined herein) under this Agreement, or any event which, with notice or lapse of time or both, would constitute an Event of Default hereunder.

Section 4.9 Indemnification. Without limitation of any other obligation or liability of Property Owner or any right or remedy of the Authority or the Program Administrator contained herein,

Property Owner agrees to indemnify and hold harmless the Authority and the Program Administrator, as well as their respective directors, officers, employees, agents, subsidiaries and affiliates (each, an “**Indemnified Party**”), from and against all damages, losses, settlement payments, obligations, liabilities, claims, suits, penalties, assessments, citations, directives, demands, judgments, actions or causes of action, whether statutorily created or under the common law, including all costs and expenses (including, without limitation, reasonable fees and disbursements of attorneys, engineers and consultants) and all other liabilities whatsoever (including, without limitation, liabilities under any applicable environmental laws, regulations or rules) which shall at any time or times be incurred, suffered, sustained or required to be paid by any such Indemnified Party (except any of the foregoing which result from the negligence or willful misconduct of the Indemnified Party) on account of or in relation to or in any way in connection with any of the arrangements or transactions contemplated by, associated with or ancillary to this Agreement, or any other documents executed or delivered in connection herewith or therewith, all as the same may be amended from time to time, whether or not all or part of the transactions contemplated by, associated with or ancillary to this Agreement or any such other documents are ultimately consummated, resulting from any conduct, act or failure to act by Property Owner or its affiliates or related parties. In any investigation, proceeding or litigation, or the preparation therefor, the Authority and the Program Administrator shall each select its own counsel and, in addition to the foregoing indemnity, Property Owner agrees to pay promptly the reasonable fees and expenses of such counsel. In the event of the commencement of any such proceeding or litigation, Property Owner shall be entitled to participate in such proceeding or litigation with counsel of its choice at its own expense; provided that such counsel shall be reasonably satisfactory to the Authority and the Program Administrator. This section shall survive the execution, delivery, performance and repayment of this Agreement and the extinguishment of the Assessment Lien.

Section 4.10 Further Assurances. Upon request of the Authority and/or the Program Administrator, Property Owner shall provide such additional information and execute such further documents as the Program Administrator and/or the Authority deem reasonably necessary or appropriate (in their sole discretion) to carry out the purposes of this Agreement and the Program as it relates to the Project.

Section 4.11 Transfers. The sale, transfer, pledge or hypothecation of the Property or any reconstitution of Property Owner ownership structure shall be permitted only following completion of the Improvements, and then only if such transfer is fully subject to the Assessment Lien and the terms of this Agreement. Any and all transfers shall be subject to the Assessment Lien and all obligations under the Agreement shall run with the land and bind all future owners of the Property or any interest therein.

ARTICLE V – MECHANIC’S LIEN AND STOP NOTICES

Section 5.1 In the event of the filing of a stop notice or the recording of a mechanic’s lien pursuant to applicable law of the State of California and relating to the Improvements, the Authority may summarily refuse to make any disbursement for the Improvements and Project, and in the event Property Owner fails to furnish the Authority a bond or other credit instrument causing such notice or lien to be released within thirty (30) days of notice from the Authority to do so, such failure shall at the option of Authority constitute an Event of Default under the terms of this Agreement. Property Owner shall deliver within fifteen (15) days to the Authority copies of all such notices or liens.

ARTICLE VI – EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Events of Default. The occurrence of any of the following events shall constitute an “**Event of Default**” hereunder:

(a) failure by Property Owner to make any payment required under this Agreement, any guaranty or any other document executed in connection with the transaction contemplated by this Agreement (such documents collectively are referred to herein as the “**Transaction Documents**”) when due;

(b) any breach by Property Owner beyond applicable notice and/or cure periods of any other terms of the Transaction Documents or an Event of Default as defined in any of the Transaction Documents shall occur;

(c) any written representation, warranty or disclosure made to the Authority or the Program Administrator by Property Owner proves to be materially false or misleading as of the date when made, whether or not such representation or disclosure appears in the Transaction Documents;

(d) failure to pay property taxes on the Property when due and payable;

(e) the failure to commence and diligently pursue construction of and completion of the Project;

(f) there occurs any event which in the Program Administrator’s reasonable judgment materially and adversely affects: (i) the ability of Property Owner to perform any of its obligations hereunder or under any of the Transaction Documents; (ii) the business or financial condition of Property Owner; or (iii) the timely repayment of the Assessments authorized by the PACE Act and this Agreement;

(g) any encumbrance on any portion of the Property is created, which encumbrance purports to have priority over the Assessment Lien with the exception of general tax liens; and

(h) the existence of any liens with respect to the Property, including mechanics’, materialmen’s, repairmen’s or other liens that have not been dismissed or bonded for thirty (30) days.

Section 6.2 Remedies. Notwithstanding anything contained herein to the contrary, the Authority shall pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the such Assessment and interest thereon, to realize on or to foreclose any of its interests or liens on the Property under this Agreement, and to enforce or preserve any other rights or interests of the Authority under this Agreement existing at law or in equity. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Authority are cumulative, and the exercise of one or more of such rights or remedies shall not preclude the exercise by the Authority, at the same time or different times, of any other rights or remedies for the same Event of Default or any other Event of Default. No failure or delay by Authority in asserting any of its rights and remedies as to any Event of Default shall operate as a waiver of any Event of Default or of any such rights or remedies,

or deprive the Authority of its rights to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

ARTICLE VII – MISCELLANEOUS

Section 7.1 No Waiver. No waiver of any default or breach by Property Owner hereunder shall be implied from any failure by the Program Administrator or the Authority to take action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the waiver. Waivers of any covenant, term or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition.

Section 7.2 Successors and Assigns. This Agreement is binding upon and made for the benefit of the Authority, the Program Administrator and Property Owner, their successors and permitted assigns, and no other person or persons shall have any right of action hereunder.

Section 7.3 Severability. Each and every provision of this Agreement is, and shall be construed to be, a separate and independent covenant and contract. If any term or provision of this Agreement or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

Section 7.4 Notices. All notices, requests, demands and consents to be made hereunder to the parties hereto shall be in writing and shall be delivered by hand or sent by registered mail or certified mail, postage prepaid, return receipt requested, through the United States Postal Service to the addresses shown below or such other address which the parties may provide to one another in accordance herewith. Such notices, requests, demands and consents, if sent by mail, shall be deemed given two (2) business days after deposit in the United States mail, and if delivered by hand, shall be deemed given when delivered.

If to Authority: **SAN BERNARDINO ASSOCIATION OF GOVERNMENTS**
Attn: SANBAG HERO Program Manager
1170 W. 3rd Street
San Bernardino, CA 92410-1715

and

RENOVATE AMERICA, INC. (“Program Administrator”)
15073 Avenue of Science
San Diego, CA 92128
Attn: Scott D. McKinlay
Email: smckinlay@renovateamerica.com

If to Property Owner:
[NAME]

[Address]
[Address]
Attn: [Name]
Email: [Email]

Section 7.5 Attorney's Fees and Costs. In the event that any action is instituted to enforce payment or performance under this Agreement, the parties agree that the non-prevailing party shall be responsible for and shall pay all reasonable costs and all attorneys' fees incurred by the prevailing party in enforcing this Agreement.

Section 7.6 Governing Law. This Agreement shall be governed by the laws of the State of California. Any legal action brought under this Agreement must be instituted in the Superior Court of County of Riverside, State of California.

Section 7.7 WAIVER OF JURY TRIAL. PROPERTY OWNER HEREBY IRREVOCABLY WAIVES ITS RIGHTS TO TRIAL BY JURY IN ANY ACTION ARISING OUT OF OR RELATING TO THE PROGRAM, THIS AGREEMENT OR ANY TRANSACTION DOCUMENT, OR THE TRANSACTIONS CONTEMPLATED THEREBY.

Section 7.8 Arbitration. All claims and disputes arising out of or relating to the Program, the Agreement and/or the Improvements that cannot be resolved informally shall be resolved by binding arbitration on an individual basis under the terms of this Section 7.8. This arbitration provision applies to the Property Owner as well as any successor in interest to the Property Owner. The Federal Arbitration Act governs the interpretation and enforcement of this dispute resolution provision. Arbitration shall be initiated through *JAMS, Inc.*, an established alternative dispute resolution provider ("ADR Provider"). If the selected provider is not available to arbitrate, the parties shall select an alternative ADR Provider. The rules of the ADR Provider shall govern all aspects of this arbitration, except to the extent such rules are in conflict with the Agreement ("Arbitration Rules") or to the extent that application of the Agreement provisions would result in the unenforceability of this Section 7.8. The JAMS rules governing the arbitration are available online at www.jamsadr.com or by calling JAMS at 1-800-352-5267. Any arbitration hearing will be held in the Property Owner's federal judicial district. The arbitrator's fees and any expenses shall be shared equally by parties. Any judgment on the award rendered by the arbitrator may be entered in any court of competent jurisdiction. The arbitrator shall issue a written award and statement of decision describing the essential findings and conclusions on which the award is based. The arbitrator has the same authority to award relief on an individual basis that a judge in a court of law would have. The award of the arbitrator is final and binding upon the parties. ALL CLAIMS AND DISPUTES WITHIN THE SCOPE OF THIS SECTION 7.8 MUST BE ARBITRATED ON AN INDIVIDUAL BASIS AND NOT ON A CLASS BASIS, AND ARBITRATION CLAIMS OF MORE THAN ONE PROPERTY OWNER CANNOT BE ARBITRATED OR LITIGATED JOINTLY OR CONSOLIDATED WITH THOSE OF ANY OTHER PROPERTY OWNER. This Section 7.8 shall survive the termination of this Agreement.

Section 7.9 Amendment; Corrective Instruments. No modification, rescission, waiver, release or amendment of any provision of this Agreement shall be made except by a written agreement executed by Property Owner and the Authority. 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 reasonable be required in order to carry out the expressed intention of this Agreement.

Section 7.10 Authority May Assign: Role of the Authority. The Authority, at its option, may (i) assign any or all of its rights and obligations under the Agreement, and (ii) pledge and assign its right to receive the Assessment, the annual administrative fee, Additional Administrative Fee, and the repayment of the financing and any other payments due to the Authority hereunder, without obtaining the consent of Property Owner.

Section 7.11 Property Owner Assignment Prohibited. In no event shall Property Owner assign or transfer any portion of this Agreement or Property Owner's rights or obligations under the Agreement without the prior express written consent of Authority, which consent may be granted or withheld in the reasonable discretion of the Authority. Sale or transfer of the Property is not an assignment or transfer of this Agreement.

Section 7.12 Notice to Subsequent Purchasers of Property. Property Owner agrees to provide written notice to any subsequent purchaser of the Property that the Property is subject to an Assessment Lien for this Program, and to provide any subsequent purchaser a copy of this Agreement.

Section 7.13 Monitoring and Recording of Telephone Calls. The Program Administrator may monitor and/or record telephone calls for security and customer service purposes. By agreeing to this Agreement the Property Owner agrees to have their telephone calls with the Program representatives monitored and/or recorded.

Section 7.14 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument.

[Signature pages to follow.]

IN WITNESS WHEREOF, the Property Owner and the Authority have entered into this Agreement as of the date and year first above written.

PROPERTY OWNER:

[Name]

Date: _____, 20__

[Signature Page to Assessment Contract]

**SAN BERNARDINO ASSOCIATED
GOVERNMENTS**

By: _____

Name: [Name]

Title: [Title]

Date: _____, 20__

[Signature Page to Assessment Contract]

EXHIBIT A
DESCRIPTION OF THE PROPERTY

EXHIBIT B
SCHEDULE OF FINANCING TERMS

The SANBAG HERO[®] Commercial Program Handbook

May 2016 – Version 1.0

A low cost financing program for commercial properties
in San Bernardino County.

Table of Contents

1	Program Introduction	3
1.1	Program Overview	3
1.2	Program Benefits	3
1.3	Purpose of Handbook	3
2	Program Contact Information	3
2.1	Program Website	3
2.2	Program Contact Information and Other Useful Resources	4
3	Future Program Changes	4
4	Program Eligibility Requirements	5
4.1	Eligible Properties	5
4.1.1	Property Type Exclusions	5
4.1.2	Property Must Be Located in a HERO Community	5
4.1.3	Required Loan-To-Value Ratio	5
4.1.1	Property Cash Flow	5
4.1.2	Liens on Property	5
4.1.1	Lender Consent	6
4.1.2	Environmental Risk	6
4.2	Eligible Property Owners	6
4.2.1	Must be Owner of Record	6
4.2.2	All Property Owners on Record Must Participate	6
4.2.3	Current on Property Taxes	7
4.2.4	No Recent Bankruptcies	7
4.2.5	Current on All Property Secured Debt	7
4.2.6	Business Owned Properties	7
4.2.7	No Property Owner Authority Restrictions	7
4.3	Eligible Assessment Amounts	7
4.3.1	Combined Property Secured Debt Cannot Exceed 90%	8
4.3.2	Minimum Assessment Amount	8
4.3.3	Maximum Assessment Amount	8
4.4	Eligible Products	8
4.4.1	Eligible Products Must Be Permanently Affixed	8
4.4.2	Proposed Products Must Meet Minimum Eligibility Requirements	8
4.4.3	Project Analysis or Feasibility Study	8
4.5	Eligible Costs	9
4.6	Eligible Contractors	10
4.7	Eligible Assessment Terms	10
4.8	Eligible Rebate Programs and Tax Credits	10
4.8.1	Solar Rebates and Program Participation	11
4.9	Eligible Number of Assessments	11
5	Program Requirements	11
5.1	HERO Registered Contractor Application and Registration	11
5.2	Building Permits and Inspection	11
5.3	Fraudulent Activity	11
5.4	Required Documents	11
6	Financial Terms	11
6.1	Costs to Apply	11
6.2	Assessment Costs	12
6.2.1	Program Financing Fee	12
6.2.2	Interest Rate	12

6.2.3	Interest Before First Payment.....	12
6.2.4	Recording Fees.....	12
6.2.5	Annual Assessment Administrative Fee.....	12
6.3	Scheduled Payments.....	12
6.4	Prepayments.....	12
7	Program Process.....	13
7.1	Step 1: Apply.....	13
7.1.1	Initial Application.....	13
7.1.2	Complete Application.....	13
7.2	Step 2: Approval.....	13
7.2.1	Underwriting.....	14
7.2.2	Lender Consent.....	14
7.2.3	Final Approval.....	14
7.3	Step 3: Sign Financing Documents.....	14
7.4	Step 4: Install Eligible Products.....	14
7.4.1	Building Permit Requirements.....	15
7.5	Step 5: Payment Issued.....	15
7.5.1	Submit Completion Certificate.....	15
7.5.2	Right to Validate Products.....	15
7.6	Record Lien on Property and Issue Payment.....	16
7.7	Add Assessment to Property.....	16
7.8	Progress Payments.....	16
8	Dispute Resolution.....	16
9	Additional Requirements and Terms.....	16
10	Appendices.....	17

1 Program Introduction

1.1 Program Overview

In July 2008, the State of California approved Assembly Bill 811, authorizing cities and counties to establish voluntary contractual assessment programs as a new financing mechanism used to pay for energy efficiency and renewable energy products which are permanently attached to property. In 2009, the State of California approved Assembly Bill 474, which added water efficiency Improvements and allowed Joint Powers Authorities such as the San Bernardino Association of Governments (“SANBAG”) to establish this type of program. The Board of Directors of SANBAG voted to commission a program in 2013.

The SANBAG HERO Program (the “HERO Program” or “Program”) was created by SANBAG to enable cities in the County of San Bernardino and the County itself to elect to participate in the HERO Program. The SANBAG Home Energy Renovation Opportunity (“HERO”) Program (the “SANBAG HERO Commercial Program” or the “Program”) provides this financing for commercial property owners (“Property Owners”). Through the Program, property owners may borrow money to finance the installation of eligible, permanently fixed, renewable energy systems, energy efficiency products, water efficiency products and/or electric vehicle charging infrastructure on their property (“Eligible Products”) and repay the financing through an assessment on their property tax bill. Participation in the Program is voluntary and requires the full consent of the property owner. Property owners sign contractual assessment agreements, and agree to repay the amount financed over a 5-, 10-, 15- or 20-year period, depending on the type of property, the financing amount, and the expected useful lifetime of the installed Eligible Products. An assessment lien is recorded on the property to secure the financing.

Property owners in the following communities are eligible to apply for assessments: Adelanto, Apple Valley, Barstow, Big Bear Lake, Chino, Chino Hills, Colton, Fontana, Grand Terrace, Hesperia, Highland, Loma Linda, Montclair, Needles, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Twentynine Palms, Upland, Victorville, Yucaipa and Yucca Valley (each such city and the County may be referred to as a “Participating Entity”). In addition, property owners must meet all of the eligibility requirements and agree to comply with all the Program rules for the application and funding processes, installment of Eligible Products, and repayment of the assessment.

1.2 Program Benefits

The SANBAG HERO Commercial Program helps move the market for energy-efficient, renewable energy and water efficient home improvements which has the social benefit of helping the environment and sustainability of limited natural resources. Additionally, the Program creates local jobs, stimulates local economies and creates an affordable financing vehicle for property owners by spreading payments over the useful life of the product.

1.3 Purpose of Handbook

The purpose of the Program Handbook is to help Property Owners apply for and receive financing for renewable energy systems, energy efficient and water efficient products and other products approved under California law. The Program Handbook is a reference document for Program participants such as Property Owners, contractors, etc. and it discusses the process necessary to apply for, complete and fund Eligible Products under the Program. For definitions of capitalized terms used in this Program Handbook, please see Appendix A – Glossary of Terms. All Program participants are encouraged to read this Program Handbook, including the Additional Requirements and Terms in Appendix B.

2 Program Contact Information

2.1 Program Website

The Program website provides information on how the Program works, eligibility requirements to qualify for financing, and an application form for Property Owners to apply for financing. The Program website address is www.heroprogram.com/commercial.

2.2 Program Contact Information and Other Useful Resources

General questions about the Program can be answered by visiting the Commercial Program website at www.heroprogram.com/commercial or calling the Program’s toll free number at 844-912-3654.

Program Contacts		
-------------------------	--	--

San Bernardino Association of Governments	Phone Number(s): (909) 884-8276	Address: 1170 W. 3 rd Street San Bernadino, CA 92410-1715
Renovate America, Inc.	Program Call Center Number: (844) 912-3654 Program Fax Number: (858) 815-6860 Program Email: commercial@heroprogram.com Contractor Email: contractor@heroprogram.com	15073 Avenue of Science San Diego, CA 92128

Other Useful Information		
---------------------------------	--	--

San Bernardino Association of Governments	SANBAG HERO Program offers financing for energy efficiency, renewable energy and water efficiency products and other products allowable under California law for residential, commercial, and multi-family properties.	http://www.sanbag.ca.gov/
DSIRE	DSIRE is a comprehensive source of information on state, federal, local, and utility incentives and policies that support renewable energy and energy efficiency.	www.dsireusa.org
Energy Star	Energy Star is a government-backed program helping businesses and individuals protect the environment through superior energy efficiency. Energy Star provides energy efficiency standards, qualified and beled energy efficiency products and recommended instal tion methods, among other things.	www.energystar.gov
Federal Tax Credits	Information page about federal tax credits avai ble for energy efficiency and renewable energy products.	energy.gov/energysaver/energy-saver
State and Local Rebates	Contact your local utility company for more information.	Contact your local utility company.

3 Future Program Changes

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

A Property Owner's participation in the Program will be subject to the regulations and terms set forth in this Program Handbook and other documents that constitute the agreement between SANBAG and the Property Owner. If any provisions of this Program Handbook are determined to be unlawful, void, or for any reason unenforceable, then that provision shall be deemed severable from the Program Handbook and shall not affect the validity and enforceability of any remaining provisions.

4 Program Eligibility Requirements

Potential applicants should carefully review this section in order to determine whether they, the property, and the desired project are eligible for the Program before submitting an application. Program eligibility requirements fall into the following categories: property requirements, Property Owner requirements, assessment amount requirements, product requirements, cost requirements, eligible terms, eligible rebates and tax credits, and eligible number of assessments.

The Program Administrator will have discretion to perform a comprehensive review of a proposed project and make a determination as to the project's eligibility. In some cases, the Program Administrator may offer flexibility in one or more of the underwriting criteria based on the overall financial strength of the property, project, and applicant.

4.1 Eligible Properties

To be eligible, the property must have a parcel number assigned to it. Non-residential properties are generally eligible, including commercial, industrial, agricultural, multifamily properties with more than 3 units, and non-profit-owned properties, with the following limitations as set forth below:

4.1.1 Property Type Exclusions

Properties owned by governmental entities (e.g. public schools, municipal buildings), residential condominium buildings and gas stations are excluded from the eligible properties list.

4.1.2 Property Must Be Located in a HERO Community

Property must be located within the boundaries of a city, county, town, village or other municipality that has adopted a resolution to join the San Bernardino Association of Governments.

4.1.3 Required Loan-To-Value Ratio

Current loan-to-value ratio for the property must not exceed 90%.

4.1.1 Property Cash Flow

At its discretion, the Program Administrator will review past and projected property financial and operating statements to evaluate property cash flow and the ability of the property to service the proposed assessment amount and any existing mortgage obligations. The Program may require a specific debt service coverage ratio in determining property eligibility. For owner-occupied properties, estimated market rents may be used to calculate debt service coverage.

4.1.2 Liens on Property

Only properties that are free from encumbrances of unresolved federal or state income tax liens, judgment liens, mechanic's liens, or additional involuntary liens shall qualify for the Program. Properties with the foregoing liens may be considered for Program approval upon proof of 12 months of consistent payments of such

encumbrances. Prohibited liens do not include current special taxes, assessments or other financing district liens placed on all properties in that particular financing district. The sum of all lien and mortgage balances must be less than 90% of the value of the property. The property must be current on all property-secured debt and it must not currently be an asset in a bankruptcy proceeding.

4.1.1 Lender Consent

If there is an existing mortgage on the property, the property owner must obtain the written consent of the existing mortgage lender whose consent is required for further encumbrance, unless such consent not required by the Program. If required, such written consent must be received prior to final approval and issuance of financing documents.

4.1.2 Environmental Risk

At its discretion, the Program Administrator will evaluate the risk of environmental contamination at the Property. Depending on the current and past uses of the property and adjacent parcels and environmental risk factors identified in public database searches, an environmental assessment prepared by a professional environmental consultant may be required.

4.2 Eligible Property Owners

In addition to the property eligibility requirements, commercial Property Owners must meet specific criteria in order to be eligible to participate in the Program. The eligibility criteria for commercial Property Owners are set forth below.

4.2.1 Must be Owner of Record

Only Property Owner(s) who is(are) the owner(s) of record for the respective property shall be considered for Program approval.

4.2.2 All Property Owners on Record Must Participate

All Property Owners of record for the property who meet the eligibility requirements must sign and execute all related Financing and Program Documents. To be considered for Program approval, properties held in Trust or Business Entity Ownership must furnish to the Program relevant documentation providing clear authority to enter into the Program and to place an encumbrance upon the property. Individuals, for profit and non-profit entities are eligible. Governmental entities are currently excluded from eligibility. The Property Owner must not currently be involved in a bankruptcy and the Property Owner must not have received a discharge in bankruptcy during the last two (2) years.

- **Trust Ownership of the Property**

If the property is owned by a Trust, the property is eligible for Program participation if adequate documentation of the Trust and the applicants' authority under the Trust is provided with the application. All Trustees must meet underwriting requirements and sign all Financing Documents, including the Assessment Contract.

- **Business Entity Ownership of the Property**

Most business entity ownership types are eligible for participation in the Program. Adequate documentation of the nature and existence of the business entity and the applicant's authorization to act on behalf of the entity must be provided with the application. The documentation required depends on the type of entity that owns the property. Underwriter verification that the business is still active is required. This can be done through the secretary of state website.

- **Ownership by a Corporation**

Applicant must provide documentation to show that they have the authority to sign for financing on the corporation's behalf and be able to sign the Financing Documents without additional shareholder signatures or a board member vote to approve financing by providing the following:

- a. Articles of Incorporation
- b. Bylaws
- c. Signed copy of Corporate Resolution of Board of Directors

- **Ownership by a LLC**

Applicant must provide documentation showing that they have the authority to sign for financing on the company's behalf and be able to sign the Financing Documents without additional member signatures or manager vote to approve financing by providing the following:

- a. Articles of Organization
- b. Operating Agreement
- c. Resolution or consent document signed by members naming the authorized individuals to sign contract on behalf of LLC.

4.2.3 Current on Property Taxes

If applicable, only Property Owners who are current on their property taxes for the property shall be considered for Program approval.

4.2.4 No Recent Bankruptcies

Property Owners who have had an active bankruptcy within the past two years shall not qualify. Property Owners who have had a bankruptcy discharged in the last two to seven years and who have also not had a late payment more than 60 days past-due in the last 24 months may be considered for Program approval. Properties currently assumed as an asset to a bankruptcy proceeding shall not qualify.

4.2.5 Current on All Property Secured Debt

Property Owners must be current on all subject Property-secured debt at the time of application. There must be no notices of default or foreclosure filed against the Property within the last 2 years.

4.2.6 Business Owned Properties

For properties owned by a business entity, the Program may require review of the owning entity's financial statements and/or tax returns. The Program may deny an applicant based on its assessment of the financial strength of the owner. The review may include an analysis of current and historical profitability, cash flow, and indebtedness of the business entity.

4.2.7 No Property Owner Authority Restrictions

Property title cannot be subject to power of attorney, easements or subordination agreements restricting authority of the Property Owner(s) to a PACE lien.

4.3 Eligible Assessment Amounts

For commercial properties, the value of the property will be based on the assessed value, a property evaluation or a full appraisal appraisal. The Program Administrator will determine whether to use the assessed value or a value provided by a commercial evaluation report unless the Property Owner can provide an appraisal prepared by a licensed appraiser with a date of value not older than 6 months. If a Property Owner disagrees with the assessed value, the Property Owner may choose to pay for an appraisal from a licensed appraiser approved by

the Program Administrator and the Program Administrator will review the appraisal and provide a determination, which shall be final, whether such appraisal may be used for eligibility calculations.

4.3.1 Combined Property Secured Debt Cannot Exceed 90%

The combined amount to be financed under the Program plus the mortgage-related debt for the property must not exceed 90% of the property value.

4.3.2 Minimum Assessment Amount

The minimum assessment amount is \$50,000.

4.3.3 Maximum Assessment Amount

The maximum amount to be financed under the Program must be less than 20% of the fair market value of the property. The combined amount to be financed under the Program plus the mortgage related debt must not exceed 90% of the fair market value of the property.

4.4 Eligible Products

The Program offers financing for various energy efficiency, renewable energy, and other products allowable under California law (“Eligible Products”). Requested Products to be installed must appear on the Eligible Product List or be approved by the Program based on a project analysis prepared by the contractor or a third party and submitted with the program application. The following criteria must also be met.

4.4.1 Eligible Products Must Be Permanently Affixed

Only permanently affixed new Eligible Products can be financed by the Program. The following are not eligible for Program financing:

- Remanufactured, refurbished, slightly used, or new equipment transferred from a previous location;
- Previously installed products; and
- Products that are not permanently fixed, including appliances, light bulbs and other non-fixtures.

4.4.2 Proposed Products Must Meet Minimum Eligibility Requirements

There are minimum efficiency and/or other requirements for each Eligible Product listed on the Eligible Products List. Property Owners will be responsible to confirm with their contractor(s) that only bids with at least the minimum specifications set forth in the Eligible Products List will be acceptable for Program financing.

For products not listed on the Eligible Products List, the Program will evaluate the project analysis or feasibility study submitted with the application to determine whether the product(s) meets the following criteria:

- The installation of the product(s) is designed to reduce the energy consumption of the property; or
- The installation of the product(s) is designed to produce energy from renewable resources.

4.4.3 Project Analysis or Feasibility Study

The Program may require each applicant to submit a professional project analysis or feasibility study prepared by an energy engineer within 36 months prior to submission of a project application. An energy engineer is defined as a professional holding a Certified Energy Manager (CEM) or Certified Energy Auditor (CEA) accreditation, a Professional Engineer (PE) with demonstrated relevant energy experience, or a contractor with relevant demonstrated experience as determined by the Program.

4.4.3.1 Energy Efficiency Project Analysis

For projects involving the installation of energy efficient products, a project analysis may be required that includes the key components listed below. Energy audits of commercial property, while not required, are encouraged. Where whole building projects are proposed, a full building energy audit may be required. At a minimum the analysis should:

- Identify, describe and recommend one or more eligible Energy Conservation Measure(s) (“ECM”);
- Identify the effective useful life of each ECM consistent with industry best practice;
- Estimate the total installed cost of each ECM;
- Estimate the total project capital cost;
- Estimate the energy savings that can confidently be achieved (energy savings should be determined by the difference between projected energy use after the ECMs are installed and the projected baseline energy use under similar conditions, e.g. average (normalized) weather, etc.);
- Estimate expenses eliminated and future replacement expenditures avoided as a result of new equipment installed or services performed;
- Depict the project’s key financial metrics; including cash flow and payback time (the financial analysis performed should reflect any rebates or incentives).

The energy analysis or feasibility study should be prepared in accordance with industry best practice and accepted industry protocols, including ASTM E2797-15 (Building Energy Performance Assessment Standard) and the ASHRAE Level 1-3 Energy Audit Guidelines.

4.4.3.1 Renewable Energy Feasibility Study

For projects involving the installation of renewable energy systems, a feasibility study may be required that includes the key components listed below. At minimum the renewable energy feasibility study should:

- Describe the proposed renewable energy system;
- Identify and evaluate site/building suitability for the renewable energy system;
- Identify metering (number of boxes, location, etc.);
- Identify the utility electricity and/or fuel rate structure for the property;
- Collect historic electricity and/or fuel use and cost;
- Assess system expected performance and requirements to maintain optimized operation;
- Compare system expected performance (electricity and/or heat production) against total energy (electricity and/or fuel) consumption of the building;
- Identify any performance guarantees and effective useful life;
- Assess total project capital cost;
- Analyze building energy savings including assumptions on avoided future utility electricity/fuel costs including assumed electricity/fuel rate escalation (escalation rates should not exceed historical averages);
- Identify an appropriate commissioning plan;
- Depict the project’s key financial metrics; including cash flow and payback time (the financial analysis performed should reflect any rebates or incentives, REC credits/sale, potential excess electricity sale back to the grid, etc.).

4.5 Eligible Costs

Eligible costs that may be financed under the Program include both the materials costs of the Eligible Products and the installation costs for such Eligible Products. Installation costs may include, but are not limited to, feasibility studies, appraisals, labor, design, drafting, engineering, permit fees, and inspection charges. The installation must be completed by a contractor of the Property Owner’s choice, who has satisfied all registration requirements of the Program.

For Property Owners who elect to complete their Program retrofits at the same time as a larger remodeling project, financing is only available for the retrofitting of the existing structure that involves Eligible Products. Repairs to the existing building’s envelope, systems, and/or infrastructure are not eligible except where they are necessitated by the installation of the Eligible Product(s).

The cost of installing the Eligible Products must be reasonable and accomplished within industry cost guidelines. The Program shall have the right to refuse to finance any portion of costs reflected in a Completion Certificate that exceeds such guidelines, and/or to request additional documentation or other information to determine the reasonableness of the amount indicated in any Completion Certificate.

4.6 Eligible Contractors

Only contractors who have registered with the Program may undertake Program-financed installation work. Contractors must register with the Program.

PROPERTY OWNERS ARE SOLELY RESPONSIBLE FOR AND MUST INDEPENDENTLY CHOOSE AND CONTRACT WITH THE CONTRACTORS TO WORK ON THE INSTALLATION OF THEIR ELIGIBLE PRODUCTS. THE PROGRAM, SANBAG, RENOVATE AMERICA, AND EACH OF THE PARTICIPATING ENTITIES, THEIR RESPECTIVE OFFICERS, EMPLOYEES, AGENT AND ASSIGNS NEITHER ENDORSE NOR RECOMMEND CONTRACTORS WHO REGISTER WITH THE PROGRAM, NOR DO THEY GUARANTEE, WARRANTY OR OTHERWISE ENSURE THE COMPLETION OF THE INSTALLATION OF THE ELIGIBLE PRODUCTS OR THE OPERATION OF THE ELIGIBLE PRODUCTS, ANY OTHER PERSON INVOLVED WITH THE INSTALLED PRODUCTS, OR THE DESIGN OF SUCH PRODUCTS, OR WARRANT THE ECONOMIC VALUE, ENERGY SAVINGS, SAFETY, DURABILITY OR RELIABILITY OF THE ELIGIBLE PRODUCTS.

4.7 Eligible Assessment Terms

Assessment Contracts may include financing with a term up to 20 years, but the financing term may not exceed the “useful life” of the installed Eligible Product(s). The Program may approve a different assessment term than that requested by a Property Owner based on the useful life of the Eligible Product(s) to be installed. When installing multiple Eligible Products, the maximum financing term available is based on the weighted average of the useful lives of the installed products.

4.8 Eligible Rebate Programs and Tax Credits

For energy efficiency and renewable energy products, various federal tax credits, state and local rebates, and incentive programs may exist.

Not all Eligible Products will qualify for available federal tax credits and/or state or local utility rebates. For example, some of the federal tax credit specifications require a higher energy efficiency standard than those required by the Program.

Neither the SANBAG, Renovate America, the Participating Entities nor their respective officers, employees, agents and assigns make any representation or warranty whatsoever that any Eligible Products will qualify for or be granted any tax credits, rebates or other incentives.

All available up front federal, state, or utility rebates that are assignable to the contractor should be deducted from the assessment amount at the time of financing. The Property Owner and the contractor will be responsible for notifying the Program of the qualification, award or grant of the Eligible Products for any such assignable rebates. **The Property Owner and the contractor will be responsible for notifying SANBAG and Renovate America of the qualification for or award or grant of any such assignable rebates for the Eligible Products installed or to be installed on such Property Owner’s property.**

Performance-based incentives which are paid over time will not be deducted. State or federal tax credits and rebates that are not assignable to the contractor will also not be deducted from the assessment amount, but Property Owners may wish to consider these additional benefits in determining the amount of their financing request.

4.8.1 Solar Rebates and Program Participation

Property Owners who plan to install solar photovoltaic (“solar PV”) or solar systems should participate in applicable rebate programs. Most solar installers can assist Property Owners with applying for these rebates.

4.9 Eligible Number of Assessments

A Property Owner may apply for another assessment under the Program for the same property or an additional property(s), as long as all assessments under the Program for a particular Property Owner still meet all Program requirements, including, but not limited to, guidelines as to maximum assessment limits.

5 Program Requirements

5.1 HERO Registered Contractor Application and Registration

All contractors who install Program-financed Eligible Products must apply to become registered with the Program.

Contractors must also agree to all HERO Contractor Terms and Conditions, including, but not limited to:

- Pulling permits as required by the local building department for the installation of the Eligible Products;
- Installing only Eligible Products that meet the required eligibility specifications; and
- Only installing Eligible Products for which he/she is qualified to install.

Please see section 4.6 regarding Property Owner responsibility for selecting and working with contractors.

5.2 Building Permits and Inspection

Property Owners are responsible for obtaining any required building permits for Eligible Products. If permits are required, the pulled permit documentation must be submitted with the Completion Certificate.

Property Owners should speak with their contractor(s) to determine if their Eligible Products will require a permit and/or inspection.

Program staff may also schedule an on-site validation visit to confirm that the approved Eligible Products were fully and permanently installed before approving a submitted Completion Certificate.

5.3 Fraudulent Activity

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

5.4 Required Documents

Documents must be submitted at different steps in the Program process. For a list of required documents which must be submitted and when they need to be submitted, please see Section 7, Program Process.

6 Financial Terms

6.1 Costs to Apply

There are no costs to apply for HERO Financing. The property owner will be responsible for bearing the cost of any third-party diligence reports required to fully evaluate a project application, including but not limited to

environmental, appraisal and title reports. Any required diligence reports will be identified to the property owner after an application has been submitted.

6.2 Assessment Costs

Below are the costs to utilize Program financing for the installation of Eligible Products on your property. All rates and fees are set when the Financing Documents are issued and will be identified in the Financing Documents.

6.2.1 Program Financing Fee

A Program Financing Fee is a one-time fee that can be financed or paid up front by the Property Owner. The Program Financing Fee covers the cost of issuing bonds by SANBAG to finance the installation of Eligible Products and the costs to approve and fund installation of such Eligible Products. The amount of the Program Financing Fee is identified in the Financing Documents.

6.2.2 Interest Rate

The interest rate on the assessment will be based on market rates and the requested financing term. The final interest rate will be set at the time the Financing Documents are issued and sent to the Property Owners and will be identified in the Financing Documents.

6.2.3 Interest Before First Payment

The “Closing Date” is the date that the contractor is set to receive payment for the project. “Interest before first payment” is the amount of interest that accumulates between the Closing Date and the first bond payment date (also known as “Capitalized Interest”). Interest before first payment can be rolled into the financed amount or paid upfront by the Property Owner at closing. The estimated amount of interest before first payment is listed on the Financing Documents (based on the project expiration date).

6.2.4 Recording Fees

Property Owners will pay for all fees that are charged to record the assessment lien documents and related notices on the property. These fees are added to the assessment amount or paid upfront by the Property Owner at closing. The recording fee is identified in the Financing Documents.

6.2.5 Annual Assessment Administrative Fee

Each tax year an Annual Assessment Administrative Fee will be added to the assessment installment. This fee covers the annual costs to administer collection and disbursement of the assessment payments and to administer the bonds issued to finance the installation of Eligible Products. The maximum annual assessment administrative fee may be adjusted annually for cost of living increases. The Annual Assessment Administrative Fee will be identified in the Financing Documents.

6.3 Scheduled Payments

Property Owners will repay principal and interest over an approved term of up to 20 years. Payments will be billed in substantially equal intervals and paid through a method determined by the Program. The estimated not-to-exceed payment schedule will be attached to the Assessment Contract that Property Owners sign, which sets forth the estimated maximum annual payments due during the assessment term. The final payment schedule will be provided to each Property Owner by the Program prior to the Disbursement Date pertaining to such Property Owner’s Assessment Contract. Failure to pay the assessment payments and the Annual Administrative Assessment Fees when due will result in the accrual of additional interest and penalties and may result in judicial foreclosure on and the sale of the property of the delinquent Property Owner.

6.4 Prepayments

Property Owners may choose to pay off their assessment amount at any time in full. If the Property Owner chooses to pay off their assessment prior to the maturity date, the Property Owner will be liable for any prepayment penalty listed in the Financing Documents. A prepayment is calculated to include the principal amount of the assessment to be prepaid (Assessment Prepayment Amount) and interest on the Assessment Prepayment Amount to the second business day of the second month following the date the prepayment is made. In order to prepay, the Property Owner will need to contact the Program to initiate the prepayment process. Upon processing a prepayment, the HERO Program will recalculate the payment schedule using the remaining principal balance and the remaining term of the assessment.

7 Program Process

The Program Process section describes the entire process for commercial Property Owners, contractors, and Program Representatives from before the project begins, through all steps of the financing process.

7.1 Step 1: Apply

7.1.1 Initial Application

Each Property Owner will need to complete an application. The program application can be downloaded from the Program website at: www.heroprogram.com/commercial.

Property Owners have the following option of submitting the application:

1. fax: (760) 692-4858,
2. email: comapp@heroprogram.com,
3. mail:

SANBAG HERO Commercial Program
15073 Avenue of Science, Suite 200
San Diego, CA 92128

Any submitted applications are subject to approval at the discretion of the Program Administrator. If a Property Owner proceeds with ordering or the installation of any Eligible Products prior to approval of the application and entering into an Assessment Contract with SANBAG, the Property Owner risks becoming ineligible for Program financing. Furthermore, if a Property Owner is approved for financing but then installs products that are not eligible, those products will not be funded.

By submitting an application, Property Owners are specifically authorizing and agreeing that the Program staff has permission to obtain a credit report for each Property Owner and any other informational reports needed to verify bankruptcy and current property debt, obtain a property valuation, verify the Property Owners' declarations regarding title to the property and current and historical property tax status, prepare an environmental assessment of the property and complete any other necessary record checks to verify information in the application or confirm eligibility for the Program.

7.1.2 Complete Application

Applicants will receive official notification of the status of their applications by email once the application is initially reviewed. The notification will provide an initial evaluation of project eligibility and specify any further documentation required by the Program to fully evaluate the project. Additional documentation could include property and owner financial information, owner incorporation documents, an analysis of the proposed project, and other information related to the project or property.

7.2 Step 2: Approval

7.2.1 Underwriting

Once the Program has received the required documentation it will commence a full underwriting of the project. During this evaluation, the Program will review the property valuation, owner and/or property financials, public records searches for liens or bankruptcies, and project cost and projected energy savings. Upon receiving the required supporting documentation from the property owner, the Program will determine whether the project is eligible for financing based on the eligibility criteria detailed in Section 4.

During the underwriting process, the Program may require additional third-party reports to be obtained at the Property Owner's expense. Requirements for any additional reports will be detailed to the Property Owner in writing. The Program may also require a non-binding term sheet to be signed by the Property Owner during the underwriting phase.

7.2.2 Lender Consent

All applicants must receive consent of any existing mortgage holder before being approved for financing, if required by the Program. A lender consent form will be provided to the property owner with a financing term sheet. The form must be executed by the mortgage holder and submitted to the Program prior to receiving final approval for financing. The Program Administrator will assist the applicant in obtaining lender consent, but responsibility for obtaining consent rests with the Property Owner.

7.2.3 Final Approval

Once all required information has been provided and reviewed, and lender consent, if applicable, has been received, the Program will notify the Property Owner of the final decision on their application. There are two possible results:

Approved. If the project meets all eligibility requirements, including receipt of lender consent, the property owner will be notified in writing by mail or email that the project has been approved.

Denied. An application will be denied if Program staff determines the applicant or the property does not meet the eligibility requirements. A property owner will be notified in writing by mail or email of the specific reason(s) why his or her application was denied. If the property owner believes there has been an error based on the stated reasons in the declination letter and is unable to resolve it quickly by contacting Program staff, the property owner must follow the steps set forth in Section 8, Dispute Resolution, in order to formally contest the Program's Decision.

7.3 Step 3: Sign Financing Documents

After the project is approved, Program Representatives will send Property Owners their Financing Documents, which must be signed and received by the Program by the date stated on the signature page of the Assessment Contract. Instructions for signature and submittal, including any requirements for notarization, will be included with the Financing Documents.

The Property Owner will also receive an email which informs the Property Owner and contractor of the next steps. Included with the Financing Documents will be the Completion Certification, which will list the approved Eligible Products and the date by which the installation of the Eligible Products must be completed.

7.4 Step 4: Install Eligible Products

A Property Owner and SANBAG must enter into an Assessment Contract and the Property Owner must sign all Financing Documents (see Step 3 above) and receive the 'Notice to Proceed' email prior to

commencing installation of the Eligible Products.

Installation may only be completed by a contractor who has registered with the Program. Eligible contractors may register with the Program if they have met all the requirements and sign an agreement to comply with all Program terms and conditions. **See Section 4, Eligibility Requirements.**

All Eligible Product installations, inspections or validations, and submission of the Completion Certificate and required attachments must be completed on or before the expiration date specified on the Completion Certificate. The expiration date may be extended in certain circumstances at the discretion of the Program.

If the completion date occurs without the Program agreeing to an extension in writing, the Property Owner may be required to sign new Financing Documents.

Please see section 4.6 regarding Property Owner responsibility for selecting and working with contractor(s).

7.4.1 Building Permit Requirements

Property Owners and Contractors are responsible for obtaining building permits and completing inspections, including final inspection sign-off, by the appropriate city or county or other municipality Building Department. Property Owners are also responsible for ensuring that their Eligible Products have met all other applicable federal, state and local laws and regulations. Property Owners should speak with their contractors to determine if their Eligible Products require a building permit and/or inspection and what requirements must be met.

The Program has the right to schedule an on-site validation visit once the Completion Certificate is submitted for any installed, Program-financed Eligible Products.

7.5 Step 5: Payment Issued**7.5.1 Submit Completion Certificate**

Once installation of the Eligible Products is complete, the Property Owner must complete and submit an executed Completion Certificate and all required attachments to the Program for approval. The Completion Certificate must be submitted with signatures from the contractor and Property Owner(s) and may additionally require the following documents:

1. A final invoice from all contractor(s);
2. If required by the jurisdiction, a pulled (initial) building permit from the appropriate city or county building department for all permitted Eligible Products.; and
3. A copy of the final permit for all permitted Eligible Products or Custom Products, as determined by the Program and as practiced by the jurisdiction.

A list of the required attachments for the Completion Certificate will be provided on the Completion Certificate Instructions page that a Property Owner receives with their Completion Certificate. Completion Certificates and required attachments may be submitted to the Program by facsimile, email, mail, hand delivery, or an electronic upload link provided by the Program.

If an on-site validation visit is required before approval or the Completion Certificate is incomplete, Program Representatives will notify the Property Owner by email or mail of the next steps.

7.5.2 Right to Validate Products

The Program reserves the right to perform independent on-site validation(s) of any Eligible Products financed by the Program even if permit inspections have already been completed. If a validation visit is required, Program staff will schedule any such on-site validation visit with the Property Owner, at any reasonable time and with reasonable notice. In addition, the Program reserves the right to perform online monitoring of any

installed renewable energy systems' generation data, if applicable, as well the tracking of energy consumption impacts and utility usage for any installed/financed product via property utility bill data.

7.6 Record Lien on Property and Issue Payment

The Program may record assessment lien documents after execution of the Assessment Contract and related Financing Documents. After receiving the executed Completion Certificate, the Program will issue bonds to finance the cost of the installation of the Eligible Products and other costs of the financing and issue payment. Payment will be issued to the contractor(s) listed on the Completion Certificate(s) signed by the Property Owner.

7.7 Add Assessment to Property

For all property owners who sign Financing Documents, the Program will submit to the relevant municipality a tax roll that identifies the assessment lien and the amount of the assessment, together with the Annual Assessment Administrative Fee, due. The assessment amount will be added to the Property Owner's property until paid in full and will be due and owing at substantially equal intervals. As with other property taxes, failure to pay the assessment will result in penalties, interest, and, eventually, foreclosure of the property or tax sale of the property by the applicable Tax Collector.

SANBAG shall determine whether any annual assessment installment is not paid when due and shall have the right to order that any such delinquent payment, penalties, interest, and associated costs be collected by an action to foreclose the lien of such delinquent assessment installment in the manner provided and to the extent permitted by applicable law.

The contractual assessment amounts and any associated ongoing fees will be based on the installation costs, Program financing fees, ongoing administrative fees and the effective interest rate of the Program. Amounts will be specified in the Financing Documents in the Schedule of Assessment Payments attached to the Assessment Contract.

7.8 Progress Payments

The Program will consider approving progress payments on a case-by-case basis. Approval of progress payments may require additional analysis of the creditworthiness of the Property Owner or contractor and be based on the size, scope and duration of the proposed project. If approved, disbursements of progress payments will be made following completion of specific milestones and subject to documentation verifying completion and receipt of appropriate lien waivers. Additional inspection costs may be assessed for each requested draw.

8 Dispute Resolution

The parties who have signed an Assessment Contract for the Program shall attempt in good faith to promptly resolve any dispute arising out of or relating to any Assessment Contract under the Program by negotiations between SANBAG or designated representative and the Property Owner. Property Owners who wish to dispute decision(s) made by SANBAG may contact the SANBAG HERO Commercial Program at 15073 Avenue of Science, San Diego, CA 92128. The notice must identify the issue(s) for resolution, the circumstances that surround the issue(s), the section in the Program Handbook that the issue(s) pertain(s) to, and a timeline of events. Within thirty (30) calendar days after delivery of the notice, SANBAG and/or the Program Administrator will contact the Property Owner to resolve the dispute.

9 Additional Requirements and Terms

Additional requirements and terms for the Program are set forth in Appendix B to this Program Handbook. **ALL PROGRAM APPLICANTS, PROPERTY OWNERS, AND CONTRACTORS ARE SUBJECT TO THESE**

ADDITIONAL REQUIREMENTS AND TERMS AS APPLICABLE AND ARE RESPONSIBLE FOR REVIEWING AND UNDERSTANDING THESE ADDITIONAL REQUIREMENTS AND TERMS. APPLICANTS, PROPERTY OWNERS AND CONTRACTORS ARE RESPONSIBLE FOR CONTACTING THE PROGRAM STAFF FOR CLARIFICATION OF ANY ADDITIONAL REQUIREMENT OR TERM THAT IS NOT UNDERSTOOD AND/OR SEEKING ADVICE FROM THEIR OWN ATTORNEY REGARDING ANY SUCH ADDITIONAL REQUIREMENT OR TERM.

10 Appendices

Appendix A: Glossary of Terms

Assembly Bill 811: Approved in July 2008 by the California legislature, authorizes cities and counties to establish voluntary contractual assessment programs to fund an array of conservation and renewable energy projects proposed by property owners.

Assembly Bill 474: Approved in October 2009 by the California legislature, expands provisions to authorize the legislative body of any public agency, as defined, to determine that it would be in the public interest to designate an area within which authorized city officials and free and willing property owners may enter into contractual assessments to finance the installation of eligible water conservation Products that are permanently fixed to real property.

Assessment Contract: A contract entered into between a Property Owner or Property Owners and SANBAG to provide financing for the installation of Eligible Products on property of such owner or owners under the SANBAG HERO Commercial Program.

Building Permits: Formal approval of building plans by the designated government agency as meeting the requirements of prescribed codes. It is an authorization to proceed with the construction or reconfiguration of a specific structure at a particular site, in accordance with the approved drawings and specifications.

Commercial: Commercial entities are defined as all non-residential properties and include apartment buildings, industrial properties, and agricultural properties.

Completion Certificate: A document signed by the Property Owner and contractor upon completion of the project.

Contractor: A person or business entity who contracts to erect buildings, or portions of buildings, or systems within buildings.

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

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

PACE: Property Assessed Clean Energy (PACE) is financing for energy efficiency and renewable energy projects that can be paid back over time as a voluntary tax assessment and is part of property taxes.

Program: The SANBAG HERO Commercial Program.

Program Administrator: Renovate America, Inc.

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

Renewable Energy: Electricity supplied by energy sources that are naturally and continually replenished, such as wind, solar power, geothermal, small hydropower, and various forms of biomass.

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

SANBAG: San Bernardino Associated Governments.

San Bernardino Associated Governments: Is a joint powers authority representing 25 cities and the transportation planning agency for San Bernardino County.

Appendix B: Additional Requirements and Terms

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

Property Owner Agrees to All Program Terms

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

Program Disclosures and Disclaimers

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

No Endorsement by SANBAG or Renovate America. The Property Owner(s) understand, acknowledge and agree that review of the proposed products, the determination that such products are Eligible Products and authorization for Program funding of the installation of such products by SANBAG and Renovate America shall not be construed as a confirmation or endorsement of the qualifications, efficiency or performance of such products, the contractors that installed such products, the manufacturer of or any other person involved with the products; or the design of the products; or a warranty or guaranty the performance, economic value, energy savings, safety, durability or reliability of such products.

Property Owner Is Responsible for Products, Permits and Inspections. The Property Owner is solely responsible for all products installed on his or her property, including the selection of any contractor(s), energy auditor(s), or equipment, including manufacturers. Any performance related issues are the responsibility of the Property Owner and the Property Owner's contractor(s). Neither SANBAG nor its agents are responsible for the performance of the products. **SANBAG, RENOVATE AMERICA, EACH OF THE PARTICIPATING ENTITIES AND THEIR RESPECTIVE OFFICERS, EMPLOYEES AND AGENTS DO NOT ENDORSE OR RECOMMEND CONTRACTORS WHO REGISTER WITH THE PROGRAM, NOR DO THEY GUARANTEE, WARRANTY OR OTHERWISE ENSURE THE COMPLETION OF THE INSTALLATION OF THE ELIGIBLE PRODUCTS BY SUCH CONTRACTORS OR THE OPERATION OF THE ELIGIBLE PRODUCTS OR ANY OTHER PERSON INVOLVED WITH THE INSTALLED PRODUCTS, THE DESIGN OR MANUFACTURE OF SUCH PRODUCTS, OR THE ECONOMIC VALUE, ENERGY SAVINGS, SAFETY, DURABILITY OR RELIABILITY OF SUCH PRODUCTS.**

Completion of all city, county and any other applicable permitting and inspections are the responsibility of the Property Owner.

Inspection of Products. The Program Administrator reserves the right to inspect any and all products financed by the Program at any time during installation or when a Completion Certificate is submitted to ensure compliance with the Program.

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

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

Releases and Indemnification. Property Owner acknowledges that SANBAG established the SANBAG HERO Commercial Program solely for the purpose of assisting the Property Owners in the Participating Entity where their property is located with the financing of Eligible Products and that SANBAG, each Participating Entity, Renovate America and their respective officers, employees, agents and assigns have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or maintenance of such Eligible Products. Property Owner agrees that the Property Owner and his or her successors in interest to the fee simple title in the subject property shall be solely responsible for the installation, operation, financing, refinancing or maintenance of such Eligible Products. Participation in the Program does not in any way obligate SANBAG, any Participating Entity, Renovate America and/or their respective officers, employees, agents and assigns to guarantee or ensure the performance of any Eligible Products. Property Owner hereby acknowledges that the subject property will be responsible for payment of the contractual assessment regardless of whether the products are properly installed or operate as expected.

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

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

In order to receive funding for this Program and to enable communication regarding rebate programs, Property Owner consents to the release of his or her name and contact information to the utility solar rebate program operated by the local Utility. Property Owner further agrees to the release of his or her name and contact information and the subject property's utility usage data as well as data from the online monitoring of any renewable energy system installed for 12 months before installation of the products and up to 24 months after installation of the products from the local utility company to SANBAG, Program Administrator, its grantors, and its designated contractors for the purpose of conducting surveys and evaluating the Program and its impact. The Program reserves the right to access utility bill information and online monitoring of installed renewable energy systems (if the Property Owner or system owner has elected to set up online monitoring). In addition, Property Owner understands that SANBAG is a public agency which, in certain circumstances, may have an obligation to release information under the California Public Records Act or pursuant to court order.

Equal Credit Opportunity Act (ECOA). The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against Credit Applicant(s) on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant(s) income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal Agency that administers compliance

with this law concerning this creditor is the Federal Trade Commission, Division of Credit Practices, Washington, D.C. 20580.

USA Patriot Act Disclosure. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: As part of applying to the Program, the Program Administrator may be required to ask for your name, address, date of birth, and other information that will allow it to identify you. The Program Administrator may also need a copy of the driver's license or other identifying documents from any and all borrowers and guarantors.

Appendix C: Program Forms and Documents

HERO Financing Commercial Application

www.heroprogram.com/commercial

Contractor Participation Terms and Conditions

www.heroprogram.com/Documents/ContractorParticipationTermsAndConditions.pdf

Appendix D: Eligible Products List

The HERO Eligible Products List can be found on the HERO program website (<https://www.heroprogram.com/commercial/products>).