Council Bill: B 126-17

MOTION TO AMEND: _____

MADE BY: _____

SECONDED BY: _____

MOTION: I move that Council Bill B 126-17 be amended as set forth on this amendment sheet.

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The ordinance attached to this amendment sheet is substituted for the original ordinance. Material deleted from the original bill is shown in ~~strikeout~~; material added to original bill shown underlined.

Introduced by _____

First Reading _____ Second Reading _____

Ordinance No. _____ Council Bill No. B 126-17 A

AN ORDINANCE

adopting a Missouri Property Assessed Clean Energy Missouri Clean Energy District Ordinance; authorizing the City of Columbia, Missouri to join the Missouri Clean Energy District pursuant to the "Property Assessment Clean Energy Act" and stating the terms under which the City will conduct activities as a member of such District; establishing Consumer Protection Policies for PACE Programs within the City; directing the City Clerk to give notice to the Missouri Clean Energy District; authorizing the City Manager, or designee, to serve as a member of the Advisory Council for Missouri Clean Energy District; and fixing the time when this ordinance shall become effective.

WHEREAS, the 95th General Assembly of Missouri enacted Sections 67.2800 to 67.2835 RSMo., the "Property Assessment Clean Energy Act" (the "Act"); and

WHEREAS, the development, production, and efficient use of clean energy and renewable energy, as well as the installation of energy efficiency improvements to publicly and privately owned real property, will create jobs for residents of the City of Columbia, Missouri, advance the economic well-being and public and environmental health of the City, and contribute to the energy independence of our nation; and

WHEREAS, the primary intent of funding energy efficiency and renewable energy improvements pursuant to the Act is to promote the public purposes described herein; and

WHEREAS, Section 67.2810.1 RSMo. authorizes one or more Municipalities (as defined in Section 67.2800 RSMo.) to establish a Clean Energy Development Board to participate in and administer a Property Assessed Clean Energy ("PACE") Program so that owners of qualifying property can access funding for energy efficiency improvements or renewable energy improvements to qualifying properties located in such Municipalities; and

WHEREAS, on January 3, 2011, a Clean Energy Development Board, now named the Missouri Clean Energy District (the "District"), was created with the intention that all Municipalities within the State of Missouri would be eligible to join and participate in the District by approving appropriate legislation; and

WHEREAS, the City desires to establish consumer protection policies to protect the integrity of the PACE Program for property owners and City; and

WHEREAS, it is in the best interests of the City and for the benefit of its residents to join and participate in the District.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBIA, MISSOURI, AS FOLLOWS:

SECTION 1. The City Council of the City of Columbia, Missouri hereby approves and authorizes joining and participation by the City in the Missouri Clean Energy District as set forth herein:

A. Title. This Ordinance shall be known and may be cited as "City of Columbia, Missouri Property Assessed Clean Energy Missouri Clean Energy District Ordinance."

B. Definitions. Except as specifically defined below, word and phrases used in this Ordinance shall have their customary meanings. Words and phrases defined in Section 67.2800.2 RSMo., as amended, shall have their defined meanings when used in this Ordinance. As used in this Ordinance, the following words and phrases shall have the meanings indicated.

"Consumer Protection Policies" means any policy designed to protect homeowners as adopted by the City from time to time. The current policy is attached as Exhibit A.

"Missouri Clean Energy District" or "District" means the Missouri Clean Energy District.

"PACE Assessment" means a special assessment made against qualifying property in consideration of PACE Funding.

"PACE Funding" means funds provided to the owner(s) of qualified property by the District for an energy efficiency improvement.

"Qualifying Property" means real property located in the City of Columbia, Missouri.

C. Program Administration. The Missouri Clean Energy District shall administer the functions of a PACE Program within the City by:

1. Providing property owners with an application to apply for PACE Funding;

2. Developing standards for the approval of projects submitted by Qualifying Property owners;

3. Reviewing applications and selecting qualified projects;

4. Entering into PACE Assessment Contracts with Qualifying Property owners;

5. Providing a copy of each executed Notice of Assessment to the Boone County Assessor and Boone County Collector and causing a copy of each such Notice of Assessment to be recorded in the real estate records of the Boone County Recorder of Deeds;

6. Authorizing and disbursing the PACE Funding to a Qualified Property owner;

7. Receiving any ~~the~~ PACE Assessment that may be collected by ~~from~~ the Boone County Collector;

8. Recording the lien, if needed, for the PACE Assessment; and

9. Exercising all powers granted by Sections 67.2800 to 67.2835 RSMo., as amended, including, but not limited to, the power to separately levy and collect special assessments under an Assessment Contract with a Qualifying Property owner.

D. Liability of City Officials; Liability of City. Notwithstanding any other provision of law to the contrary, officers and other officials of the City shall not be personally liable to any person for claims, of whatever kind or nature, under or related to the City's participation in the District's PACE Program, including, without limitation, claims for or related to uncollected PACE Assessments. The City has no liability to a property owner for or related to energy savings improvements funded under a PACE Program. The District shall for all purposes be considered an independent entity and shall not be considered a political subdivision of the City of Columbia, Missouri.

E. Existing Laws Not Superseded. Any project or improvement at any Qualifying Property which is funded in whole or in part of PACE Funding shall be subject to all ordinances, rules and regulations in effect at that time.

F. The City of Columbia, Missouri as a Non-Party. The City of Columbia, Missouri shall not be a party to any PACE Funding agreement, loan, or other commitment, however denominated, executed between the District and the owner(s) (or their representatives, together with any successors and assigns) of any Qualifying Property.

SECTION 2. The City Clerk is hereby authorized and directed to deliver a duly executed copy of this Ordinance to the Board of Directors of the District, or its designee, together with the jurisdictional and geographic boundaries of the City for inclusion in the jurisdictional and geographic boundaries of the District.

SECTION 3. The City Manager, or designee, shall serve as the City's representative as a member of the Advisory Council of the District. The Advisory Council member shall also serve as the Elector to represent the City at annual meetings of the District. The City Clerk is hereby authorized and directed to notify the District of any person so designated by the City Manager.

SECTION 4. The City Council declares its intent that the provisions of this Ordinance shall be in conformity with federal and state laws. The City Council enacts this Ordinance pursuant to Sections 67.2800 to 67.2835 RSMo., as amended. In the event of any conflict, the provisions of federal and state law shall control.

SECTION 5. The officials and agents of the City of Columbia, Missouri are hereby authorized and directed to take such actions and execute such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Ordinance.

SECTION 6. To protect the rights of property owners within the City who participate in the PACE Program and to ensure the integrity of the PACE Program, the City hereby requires the District to adhere to the Consumer Protection Policies attached hereto as Exhibit A. The District may review the Consumer Protection Policies periodically to ensure it is updated to the latest national standards and may make recommendations to the City to amend the policy from time to time. The District shall be required to periodically audit and review compliance of its PACE Program with the policy and report its findings and recommendations to its Board of Directors. In addition, said report, findings and recommendations shall be open for inspection and review by the city upon request.

SECTION 7 ~~6~~. The election of the City of Columbia, Missouri to join the District shall in no way constitute an obligation of the City of Columbia necessitating any corresponding appropriation.

SECTION 8 ~~7~~. This ordinance shall be in full force and effect from and after its passage.

PASSED this _____ day of _____, 2017.

ATTEST:

_____ _____

City Clerk Mayor and Presiding Officer

APPROVED AS TO FORM:

_____

City Counselor

PACE Consumer Protection Policies

Version 1.1

(Residential PACE Program)

OVERVIEW

Property assessed clean energy ("PACE") programs enable a much broader range of homeowners to implement energy efficiency and renewable energy improvements ("Measures") that increase the value, functionality, and sustainability of their homes. Such improvements ("Improvements" or "Measures") make homes less costly to operate and more comfortable to live in, while simultaneously reducing energy consumption. Without PACE Programs ("PACE Programs" or the "Program") many homeowners would have no, or costlier, access to these Measures.

PACE Programs, including the government authorities sponsoring and administering them and, where applicable, the entities who help implement them ("Partners"), provide advice, tools and resources that enable homeowners to make smart, informed and responsible choices regarding such Measures. PACE Programs must be responsible for ensuring that the advice, tools and resources are appropriate and accurate, which means that care must be taken with homeowners before, during and after the origination of Program financing. Consumer protections that serve homeowners must be a core value of PACE Programs and Partners. In this document, "Partner" refers to the government authority in all cases where a Program does not include a third party non-government partner.

The baseline consumer protection policies of the Program cover the following areas: (1) Eligibility and Risk, (2) Disclosures and Documentation, (3) Financing Terms, (4) Operations, (5) Post-Funding Support, (6) Data Security, (7) Privacy, (8) Marketing and Communications, (9) Protected Classes, (10) Registered Contractors, (11) Eligible Products, (12) Pricing, (13) Reporting, and (14) Closing & Funding and (xv) Examination. PACE Programs that meet or exceed these standards provide homeowners with a greater level of consumer protection than any other form of financing. The recommended consumer protection policies set forth herein can help guide PACE Program implementation to ensure homeowners realize maximum benefit. In satisfaction of the economic benefit requirement, it is the policy of the Program that financing is only used for Eligible Products (Section 11) that are approved by the board of Authority, that each Partner will follow the Maximum Financing Amount requirements for Eligible Products (Section 12), and that the assessment contract require acknowledgement and agreement from the homeowner that the economic benefit test is met (Section 2.2). It is the policy of the Program that these criteria are implemented by each Partner to enable both direct and indirect benefits to accrue to homeowners.

1. RISK

Policy Summary: The _____ (the "Program") blends traditional credit risk considerations together with statutory requirements and administrative policy objectives to develop specific risk and eligibility criteria for participation in the Program. These criteria take into account the unique risk profile that PACE financing presents to enable qualifying homeowners to access it. While this process will exclude unqualified homeowners and properties, special consideration has been given to develop inclusive standards. The criteria examine four key attributes of every financed project: (1) the real property ("Property")on which the improvements will be installed, (2) the encumbrances presently recorded against the Property, (3) the nature of the improvements to be installed; and (4) the homeowner's mortgage and property tax payment history.

1.1. Properties. Consistent with foundational considerations, it is the policy of the Program to make the Program available to the entirety of the existing residential housing stock in political boundaries of the Program. Properties for which this form of financing is not available include: (i) commercial properties (including residential properties comprising five (5) or more units), (ii) new properties under construction, (iii) properties that cannot be subject to an assessment or levy, and (iv) properties not located within the boundaries of a geographical area (e.g. city, county or community facilities district) that have approved the parcels within its territory for participation in the Program in accordance with applicable law. If requested in good faith by a homeowner whose Property has been found ineligible, the Program or Partner may undertake a "second look" eligibility review of the applicant's Property, re-examining the specific attributes of the Property in question and confirming or modifying the original determination.

1.2. Encumbrances. The encumbrance profile of properties is an important element in determining whether or not they qualify for Program participation. The Program is designed to harness unused financing capacity of homes in which eligible improvements are installed. Such financing is inappropriate if it burdens properties and their owners too greatly. Accordingly, properties eligible for Program financing will have the following attributes:

1.2.1. All mortgage-related debt on the Property may not exceed 90% of the Property's fair market value ("FMV"), or assessed value if market value data is unavailable or unreliable, at the time of initial approval;

1.2.2. Reliability of the Program FMV model should be verified through an accepted and regular audit process, sampling appraisal data as a means of measurement and verification;

1.2.3. The financing may not exceed an amount equal to (A) (i) twenty percent (20%) of the FMV of the Property, up to the first seven hundred thousand dollars ($700,000) of the Property's FMV, plus (ii) ten percent (10%) of the remaining value of the Property

above seven hundred thousand dollars ($700,000) minus (B) any PACE assessments on the Property; provided that the combined amount to be financed under the Program plus the mortgage related debt must not exceed 100% of the FMV of the Property;

1.2.4. The total mortgage-related debt on the underlying Property plus Program financing may not exceed the FMV of the Property; and

1.2.5. The total amount of any annual property taxes and assessments (including but not limited to all PACE, or other local assessments/special taxes) shall not exceed five percent (5%) of the Property's FMV, determined at the time Program financing is approved.

1.3. Eligible Improvements. The Program provides financing for a broad range of eligible products and projects permanently-affixed to the Property, the details of which are set forth in Section 11 below. The Program is not available to finance ineligible products and projects, which comprise anything not specified in Section 11, subject to an appeal and review of specific measures on a case by case basis by the Partner and/or Program. While the Program is responsible for confirming compliance with the Section 11 requirements, it is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Program relies on applicable state law and data and ratings from the U.S. Department of Energy, the Environmental Protection Agency and other federal and state government agencies in determining what constitutes an eligible Improvement or Measure.

1.4. Homeowners. PACE Program assessments typically appear as line items on property tax bills and homeowners repay their financing when they pay their property tax bills. The mortgage and property tax payment history of a homeowner of record is, thus, an important factor in determining a homeowner's eligibility to participate in the Program. Accordingly, at the time of application, homeowners eligible for Program financing will, at a minimum, have status and payment histories that are consistent with the following:

1.4.1. The applicant is the homeowner of record;

1.4.2. Property tax payments for the assessed Property are current. Additionally, the homeowner must certify that there has been no more than one late payment for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property;

1.4.3. The homeowner is current on all mortgage debt, and has been late on such payments no more than once during the 12-month period preceding funding;

1.4.4. The applicant has not had any active bankruptcies within the last 7 years; provided, however, that this criterion can be met if a homeowner's bankruptcy was discharged

between two and seven years before the application date, and the homeowner has had no past due payments (mortgage and non-mortgage) for more than 60 days in the most recent 12 months; and

1.4.5. The homeowner has no involuntary lien(s) recorded against the Property in excess of $1,000;

1.4.6. For purposes of Sections 1.4.2, 1.4.3 and 1.4.5, if the homeowner(s) do not meet the requirements of one or more these provisions, and if at least one homeowner has a FICO score of 700 or more (based on a report from one or more national credit bureau(s)), then the Partner may regard as satisfied the requirements of such Sections.

1.4.7. There may be no pending Notice of Default on the property and no more than one recorded Notice of Default for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property.

2. DISCLOSURES & DOCUMENTATION

Policy Summary: Documentation for Program participants should ensure compliance with these consumer protection policies and must be clear, complete, and fair to all parties. A reader who has spent time with the documentation should develop an unambiguous understanding of each and every right, risk and obligation associated with the Program's financing product. PACE is a new form of financing that, while sharing some features of traditional financing, presents new considerations for homeowners. Best practices counsel the Program to disclose traditional "know before you owe" financing terms ("Disclosures" e.g., interest rates, financing term, payment amounts) in a form substantially similar to that set forth in Attachment A. Disclosures covering the Program financing's specific repayment cycle (typically, annual or semiannual) and the Federal Housing Finance Authority's announcement regarding payoff of Program financing at the time of sale or refinance are among the new considerations. In the end, a homeowner who understands the Program's disclosures will be informed and have a clear understanding of the Program's traditional and non-traditional features.

2.1. Document Timing. Before commencement of any Program-financed project, a homeowner needs to: (i) submit an application; (ii) receive approval of the Measures from the Partner; and (iii) execute documentation covering the terms and disclosures summarized in this Section. Following installation of the Measures, a homeowner needs to: (i) execute an acknowledgement that the installation of the Measures has been completed satisfactorily; and (ii) receive a final summary of costs and payments. Delivery to, and execution of all such documentation by, the homeowner is the responsibility of the Partner.

2.2. Terms. Terms that are fundamental to the Program and that need to be reflected in its Disclosures comprise: (i) the amount financed including the cost of the installed Measure(s), together with Program fees and capitalized interest, if any, (ii) the repayment process and schedule, (iii) the payment amounts, (iv) the term of the financing (that does not exceed the useful life of the Measures), (v) the rate of interest charged (such rate to be fixed and not variable), (vi) a payment schedule that fully amortizes the amount financed, (vii) the nature of the lien or obligation created upon recordation, (viii) the specific improvements to be installed, (ix) the right to cancel the financing until the Completion Certificate is fully executed, (x) the right to withhold approval of payment until the project is complete, and (xii) an acknowledgement by the homeowner that the homeowner has received or will receive a benefit from Program financing that equals or exceeds the total assessments due under the assessment contract.

It is the responsibility of the Partner to prepare, deliver and arrange for execution of documents reflecting such terms.

2.3. Disclosures Policy. Disclosures ensure that homeowners are aware of and understand key Program financing terms and risks that appear in the Program documentation. It is the policy of the Program that Partners confirm delivery to, and receipt by, homeowners of these Disclosures, and obtain written acknowledgement that homeowners have read and understand them. The following comprise key Disclosures of the Program provided by Partners in a financing summary in the form attached hereto as Attachment A.

Disclosures	Description
Term of financing	The maximum time period of the financing
Amount financed	The total amount financed, including the installed cost of the Measure(s), Program fees and capitalized interest, if any
Annual payment amount	The amount due each year, even if paid in semi-annual installments or through impound payments
Annual interest rate/APR	The effective interest rate after taking into account all fees and capitalized interest
Improvements financed	The Measures installed
FHFA risks	The risk that the homeowner may need to pay off the PACE assessment at the time of sale or refinance
Right to cancel	The right to rescind the financing until the Completion Certificate is fully executed
Prepayment	The right to prepay the Program financing with clearly defined penalties, if any

The following comprise additional key Disclosures of the Program provided by Partners.

Disclosures	Description
Program overview	A document or section of a document that provides a comprehensive summary of the Program, including a summary of a homeowner's rights and obligations
Property tax repayment process	Description of the property tax payment process and the line item for repayment of the Measures that the Program financed

Disclosures	Description
Tax benefits	Tax credits and benefits associated with the purchase of certain Measures and the annual payments related to them.
Privacy	A notice describing the privacy policies of the Program
Federal disclosures	Those appearing in the Program application
Foreclosure	The risk of foreclosure and the foreclosure process in the event of a homeowner default

2.4 Confirmation of Terms. For all Program financing applications associated with contractors that are either new to the Program or are on a Partner's "watch list" (i.e. those contractors that are not "Top Rated Contractors" defined below), it is the policy of the Program that such Partner confirm live by telephone with the homeowner applicant each Program financing term listed in (b)-(h) of this Section 2.4 below. These confirmation requirements do not apply to contractors who have reached the Partner's top rating category (the "Top Rated Contractors"). For Top Rated Contractors, it is the policy of the Program that the Partner conduct randomized calls to homeowners to confirm financing terms.

Notwithstanding the above, irrespective of the contractor with whom the Program financing is associated, it is the policy of the Program that the Partners confirm live by telephone for each applicant who is over 64 years old the Program financing terms listed in (a)-(h) of this Section 2.4 below, and any other special categories of homeowners as designated by the Program. For avoidance of doubt, for homeowners over 64 years old, a voicemail message does not satisfy the requirement of Program financing term confirmation under this Section 2.4.

When confirming terms of a Program financing with a homeowner, the Partners will request the homeowner to describe generally the improvement(s) being financed using the Program financing, and will ascertain that the homeowner understands:

(a) The reason for the specific improvement(s) being obtained by such homeowner.
(b) His or her total estimated annual payment.
(c) The date his or her first tax payment will be due.
(d) The term of the Program financing.
(e) Any additional fees (including recording fees) that will be charged to him or her.
(f) That payments for the Program financing will be added to his or her property tax bill and will cause the property tax bill to increase.
(g) That he or she may make payments on the Program financing either directly to the county tax collector's office or through his or her mortgage impound account.
(h) That before any assessment contract or application (the "Pending Project") is executed, the Partner has asked and the homeowner has confirmed that no Measures other than the Pending Project are underway, and has agreed, at any time before funding of the Pending Project, to inform Partner if homeowner has authorized any new Measures.

3. FUNDING

Policy Summary: PACE is a new form of financing that, while sharing some features of traditional financing, presents new considerations for financing capital sources and structures. Best practices counsel the Program to proactively solicit feedback from Program stakeholders and homeowners and incorporate things learned into policy improvements which benefit homeowners.

3.1 Interest Rates. It is the policy of the Program that Partners offer fixed simple interest rates, and payments that fully amortize the obligation. Variable interest rates or negative amortization financing terms are not permitted.

3.2 Sustainable Funding Source. It is the policy of the Program that Partners establish a sustainable source of capital for funding PACE projects separate from the Authority's general fund or budget and have access to capital markets to ensure funding for qualified projects is available on a consistent basis. A Partner must demonstrate the capacity to fund assessments that the Program and Partner anticipate originating through such Partner over a six (6) month period immediately following the Program's review of such Partner's financial statements.

3.3 Subordination. For Programs in states with senior lien PACE statutes, a Program and/or its Partners may accommodate owners of PACE assessed homes and prospective buyers of such homes by offering to subordinate certain of its/their rights derived from the PACE assessment lien to the lien of a mortgage or deed of trust. The subordination may provide the lien under a mortgage or deed of trust with senior rights such that the lender will be induced to provide a mortgage loan on a PACE-assessed property. The subordination option may be made available to homebuyers and homeowners in accordance with policy agreed upon by the PACE Program and the Partner.

3.4 Contractor Fees. It is the policy of the Program that Partners can only charge fees to contractors offering Program financing as long as Partners (i) clearly and conspicuously disclose such fees to homeowners and (ii) require that contactors absorb such obligations and not pass such fees on to homeowners.

4. OPERATIONS

Policy Summary: Operations refers to the staff, procedures, and systems that Partners use to deliver the Program to homeowners and provide them with ongoing support. For Partners, operational competence rests on the ability to perform well in a range of areas and disciplines, such as accounting, finance, capital markets, risk assessment, legal, compliance, government affairs, municipal engagement training, marketing and sales, contractor engagement, business development, and corporate development. While each operating unit incorporates thoughtful and highly effective consumer protections in the work it produces, Operations is the gatekeeper responsible for assuring that the Program has the people, processes, tools and technology necessary to deliver to homeowners the Program financing product, as well as the consumer protections described in these Policies.

4.1 Operational Consumer Protection Policies. The Program and its Partners will provide people and develop processes, tools and technology necessary to support the consumer protection measures described in detail elsewhere in this policy, including: (i) risk and underwriting processes; (ii) terms and documentation delivery systems; (iii) documentation, maintenance and retrieval processes; (iv) disclosure development, delivery and acknowledgment receipt; (v) post-funding support for homeowners and other stakeholders such as real estate professionals; (vi) data security measures; (vii) privacy policy development and protections; (viii) marketing and communication oversight; (ix) protected class data and communication processes; (x) contractor management and engagement; (xi) eligible product database and/or list development and maintenance; (xii) implementation of the maximum financing amounts; (xiii) key metrics reporting; (xiv) closing and funding processes (including the ability to fulfill financing obligations); (xv) examination data production; and (xvi) implementation of procedures to identify and prohibit conflicts of interest within and associated with the Program.

5. POST-FUNDING HOMEOWNER SUPPORT

Policy Summary: A public/private partnership is at the core of the Program. This partnership carries with it elevated consumer protection responsibilities that apply to the Program with as much significance during the post-funding period as they do during the time of application and origination. Establishing and operating an executive office responsible for customer care that responds to inquiries, complaints, contractor and workmanship concerns, product performance questions and related matters for the lifecycle of the improvements financed is fundamental to the consumer protections that the Program provides.

5.1. Proactive Engagement. It is the policy of the Program that the Program and its Partners proactively monitor and test the consumer protections delivered to homeowners, and to request feedback from homeowners and contractors to identify areas in need of improvement.

5.2. Onboarding. It is the policy of the Program that Partners develop and implement a post-installation onboarding procedure for homeowners to reinforce key characteristics of the Program, such as those highlighted in the Program disclosures.

5.3. Payments. It is the policy of the Program that each Partner have disclosures and resources in place to resolve any homeowner questions regarding payments. The Program requires that each Partner implement procedures for responding to requests for partial or full prepayment of their PACE assessment in a timely and complete manner, matters regarding impound account catch up payments, payment timing inquiries and payment amount reconciliation among others.

5.4. Inquiries and Complaints. It is the policy of the Program that the Partner receive, manage, track, timely resolve, and report on all inquiries and complaints from homeowners. This policy contemplates Partners have an ability to perform inspections, meet with homeowners and contractors, investigate matters, and mediate resolutions with homeowners and contractors. Partners must proactively work to resolve inquiries and complaints in a reasonable and timely manner and in accordance with the Program guidelines and must make communication for homeowners available during regular business hours by phone, email and facsimile communication.

5.5. Real Estate Transactions. It is the Program's policy that Partners develop capabilities to assist homeowners who are refinancing or selling their Properties. The Partner must support real estate professionals providing services to refinance and sales transactions for properties with PACE assessments.

6. DATA SECURITY

Policy Summary: Trust is fundamental to any financing relationship, and Program financing is no exception. The public/private partnership at the center of the Program, as well as the confidential relationship homeowners have with a Program Partner mandate that any market-ready Program be in robust compliance with sturdy cyber-security standards, and in particular develop secure and tested processes that protect homeowner personal identifiable information at points of potential vulnerability, especially during the application process.

6.1. Information Systems. It is the policy of the Program that each Partner develop and comply with secure and tested processes to protect the personal identifiable information of the homeowner described in Section 7 below, including:

6.1.1. A cyber-security policy and protocol that, at a minimum, requires data encryption "during transmission" and "at rest," and compliance with sturdy cyber-security standards.

6.1.2. A protocol for access to information based upon, job function and need-to-know criteria.

6.1.3. Measures that protect the security and confidentiality of consumer records and information, including, without limitation, requiring all computers and other devices containing any confidential consumer information to have all drives encrypted with industry standard encryption software.

6.1.4. Monitoring and logging all remote access to its systems, whether through VPN or other means.

6.1.5. Data security policies that are subject to auditing and penetration testing conducted by an independent auditor hired by the Authority at least annually and any time a change is made that may have any potential impact on the servers, security policies or user rights.

6.1.6 Ensuring minimum viable configurations are in place on all servers. All firewalls should have continuous logging enabled. In addition, access control lists and audited server configurations should be used to ensure that data security is maintained.

6.2. Personnel. Each partner is responsible for:

6.2.1. Informing and enforcing compliance with the Program's data privacy and security policies on the part of every employee, contractor, vendor, agent, service provider, representative, and associate who is exposed to personal identifiable information of homeowners.

6.2.2. Implementing protections and controls to prevent unauthorized copying,

disclosure, or other misuse of sensitive consumer information.

7. PRIVACY

Policy Summary: The trusting and confidential relationship that exists between homeowners and the Program extends to the Partners' use of homeowner data. Compliance with the Gramm-Leach-Bliley Act as well as the establishment of clear opt-in and opt-out protocols for information sharing are the pillars of the Program's privacy policy. More broadly, the Program must protect and manage sensitive consumer information, respect the privacy of all homeowners, and implement robust controls to prevent unauthorized collection, use and disclosure of such information.

7.1. Privacy Policy. The Program obtains sensitive personal identifiable information (e.g., full name, home address, social security number, date of birth) from homeowners as part of the Program application process or through other homeowner touch points with the Program. It is the Program's policy that each Partner develop and deliver to homeowners, prior to receipt of the homeowner's signed assessment contract, a privacy policy that complies with state and federal law (e.g., the Gramm-Leach-Bliley Act) . The privacy policy must expressly prohibit sharing personal identifiable information with third parties without the homeowners' express authorization except where expressly permitted by state and federal law. Such privacy policy will cover (i) the sources from which sensitive consumer information is obtained, (ii) the Partner's use of sensitive consumer information, and (iii) a mechanism by which a consumer may opt-out of sharing information. The Partner will deliver to homeowners any updates to such privacy policies.

7.2. Application Process. It is the policy of the Program that all personal identifying information provided by a homeowner to a Partner during the application process is provided directly by the homeowner to the Partner. The Partners will establish processes and controls to ensure that personal identifiable information of a homeowner is obtained directly from such homeowner (or his verifiable legal representative or attorney in fact) and not from a contractor or other third party.

8. MARKETING & COMMUNICATIONS

Policy Summary: Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of any Program include homeowners, contractors, the governing authorities, government officials and staff, investors, finance partners, real estate professionals, mortgage lenders, and its Partner(s) among others. Communications or acts and practices that mislead stakeholders add ineligible expense to PACE financing or to the Program, abuse stakeholders, or otherwise fail to meet the core communication standards of appropriateness for the Program are not acceptable.

8.1. Prohibited Practices. The Program prohibits practices that are or could appear to be unfair, deceptive, abusive, misleading, violate federal or state laws or regulations, provide tax advice or are in any way inappropriate, incomplete or inconsistent with the Program's purpose (e.g., use of check facsimiles to dramatize the amount of PACE Program financing available or presented as if a negotiable instrument).Marketing practices that are likely to add unnecessary expense to a homeowner (e.g., paying consumers for applications), that unlawfully use sensitive consumer data or that violate any other law or regulation are prohibited. Partners and Registered Contractors that make marketing or sales telephone calls must not violate federal or state "Do-Not-Call" laws. Each Partner is responsible for developing and enforcing marketing practices that meet the approval of the Program.

8.2. Permitted Practices. It is the policy of the Program to adhere to all legal and regulatory requirements (e.g., telemarketing) pertaining to its advertising and marketing efforts. On the basis of providing clear and concise communication to consumers, any practice that promotes informed decisioning on the part of homeowners and is not prohibited as described in section 8.1 above is permitted. The Partner is responsible for developing, delivering to and enforcing marketing guidelines for the Program's Registered Contractors that meet the approval of the Program Administrator. Any marketing materials that fall outside of marketing guidelines established must be approved by the Partner to ensure that they are not unfair, deceptive, abusive and/or misleading.

8.3. Tax Advice. It is the policy of the Program that no Partner, Contractor or other related third party who is not a tax expert may provide tax advice to homeowners regarding Program financing including affirmative statements or claims as to the tax deductibility of the PACE payments. Homeowners are encouraged to seek the advice of an expert regarding tax matters related to the Program. The Program shall monitor and test the sales practices of employees and contractors to confirm adherence to the policy set forth in this Section 8.3.

8.4. Payments in Exchange for Financing. It is the policy of the Program that no Partner

provide a direct cash payment or other thing of material value to a Contractor (Company or Affiliated Individual) in exchange for, or related to, offering its financing program. The policy also prohibits Partners from making payments to contractors for marketing or co-marketing expenses. However, Partner-sourced leads, reasonable entertainment expenses, training and training events, partner branded or co-branded marketing collateral and shirts, signs, mugs, etc. (aka schwag) will be allowed under the Program.

9. PROTECTED CLASSES

Policy Summary: Each Partner' must ensure compliance with all state and federal laws that cover individuals in protected classes including those based on race, religion, color, marital status, gender, sexual orientation, national origin, citizenship, presence of children, disability, age, veteran status, participation in a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. Heightened protections for homeowners over 64 years old, such as confirming understanding of financing terms and project specifications, is a specific requirement of the Program. Unintentional non-compliance will not excuse a failure to comply with all state and federal laws regarding protected classes.

9.1. General. The Program requires that Partners develop controls and methods to monitor and test compliance with all state and federal laws covering homeowners in protected classes.

9.2. Elders. Each Partner must develop and implement a protocol to ensure that all homeowners over 64 years of age understand the purpose of each Measure for which Program financing is made available, and the terms of such financing as described in Section 2.4.

9.3 Financing Application Access and Decisioning. It is the responsibility of the Partner to provide legally unbiased access to and decisioning regarding Program participation to all applicants for Program financing.

10. CONTRACTOR REQUIREMENTS

Policy Summary: Contractors and their sales persons are one of the primary means by which homeowners become aware of Program participation options. Contractors and their sales persons enter into contracts with a Partner, and register with all relevant state and local licensing boards and agencies. Contractors are required to complete training courses, follow a code of conduct, maintain insurance, post bonds, follow marketing requirements, among other obligations, all of which are designed to assure positive and productive homeowner interaction with the Program.

10.1. Policies. It is the policy of the Program that all contractors who sell, install, or manage subcontractors who install eligible Measurers will have become "Registered Contractors' by executing the Program's Contractor Participation Agreement (the "PCPA") and that all such contractors and all of their employees, entities, owners, partners, principals and sub-contractors (collectively, the "Affiliated Individuals") meet the requirements of the PCPA, which include:

10.1.1. Compliance with any relevant state contractor code of conduct, a sample of which is attached hereto as Attachment B or other code of conduct that embodies the principles outlined in Attachment B;

10.1.2. Maintenance of an active license, and being in good standing, with all relevant state and local licensing boards and agencies, including compliance with all applicable insurance and bonding requirements;

10.1.3. Execution of the Program's Contractor Participation Agreement only by a person who is listed as an Responsible Managing Owner ("RMO"), Responsible Managing Employee ("RME"), Responsible Managing Manager ("RMG"), Responsible Managing Member ("RMM"), person of similar designation, sole owner or qualifying partner with the applicable state and/or local licensing boards and/or agencies, and who is authorized to act on behalf of, and who is responsible for the actions of, a Registered Contractor (a "Qualifying Individual");

10.1.4. Oversight and management of employees, independent contractors and subcontractors who provide services to Registered Contractors accessing the Program;

10.1.5. Meeting all other state and local licensing, training and permitting requirements;

10.1.6. Compliance with the Program's marketing policies; and

10.1.7. Ensuring all Affiliated Individuals register with the Program, including completing the Program's identity verification procedures.

10.2. New Contractors. Regarding Registered Contractors new to the Program, it is the policy that the Partner:

10.2.1. Has a specified probationary period (i.e., place the new Registered Contractors on a watch list) until the new Registered Contractors have completed the required number of Measures;

10.2.2. Has procedures in place, during the Registered Contractor probationary period, to provide additional quality assurance steps for Measures completed by the Registered Contractors on the watch list; and

10.2.3. Has procedures in place to review Registered Contractor work to confirm satisfactory completion of projects conducted during the probationary period for which Program financing is used.

10.3 Contractor Management. It is the policy that the Partner implement contractor management systems and procedures that manage and track contractor training and compliance violations on an individual and company basis.

10.4 Contractor Training. It is the policy of the Program that each Partner make available contractor training regarding, at a minimum, the following: (i) the applicable contractor code of conduct terms as required by the Program, (ii) protected classes, including, without limitation, elder protection, and (iii) other consumer protection measures as required by the Program.

10.5 Remedial Action. Partners warn, suspend or terminate a Registered Contractor and/or Affiliated Individual from the Program based on violations of the Contractor Participation Agreement. It is the policy of the Program that each Partner implement processes for the review and documentation of alleged violation(s) of a Registered Contractor and/or Affiliated Individual and, if applicable, the suspension and/or termination of such Registered Contractor and/or Affiliated Individual ("Disciplined Contractor"). Upon the suspension or termination of a Disciplined Contractor, it is the policy of the Program that the suspending or terminating Partner ("Initial Determining Partner") provide written notice ("Suspension or Termination Notice") to all other PACE Programs (including all other PACE Partners and Authorities) providing detailed reasoning for the suspension or termination of the Disciplined Contractor and the process used to review and assess the alleged violation(s) of such Disciplined Contractor that lead to such suspension or termination. Upon each PACE Program's receipt of the Suspension or Termination Notice, it is the policy of the Program that each Partner (i) immediately suspend (pending the results of the below described investigation) the applicable Disciplined Contractor, (ii) investigate the alleged violation(s) described in the Suspension or Termination Notice and (iii) within no later than thirty (30) days of receipt of the Suspension or Termination Notice, provide a written statement indicating the

determination of the investigating Partner in regards to the applicable Disciplined Contractor (which shall include detailed information and reasoning if the determining Partner decides to take action of less severity than that taken by the Initial Determining Partner). The Program does not accept Program applications processed by suspended or terminated contractors and/or associated representatives.

11. ELIGIBLE PRODUCTS

Policy Summary: The Program enables and encourages homeowners to install Measures which are designed to save energy. The Program is responsible for implementing practices and controls (e.g., eligible product databases and product confirmation processes) to ensure that financing is used only for eligible Measures, and that it is not provided for ineligible ones. Program product eligibility criteria ensure that property owners are financing improvements which are industry recognized for achieving higher levels of home energy efficiency, or other state specific approved Measures. While the Program is responsible for confirming compliance with the initial capacities of such products, it is not responsible for determining post-installation energy performance, savings or efficacy of such Measures.

11.1. Policies. Consistent with the objectives of the PACE enabling legislation, it is the policy of the Program through consultation with the Partner and the Authority to:

11.1.1. Establish, and maintain an eligible products database and/or list, documenting the associated eligibility specifications for each product that conform to the requirements outlined in Attachment C hereto;

11.1.2. Define a process for adding to or modifying the eligible product database;

11.1.3. Ensure that eligible product energy efficiency /energy generation (as applicable) performance standards are calibrated and verified using performance criteria that the U.S. Department of Energy, U.S. Environmental Protection Agency, and/or other federal and state agencies or other reputable third parties have established;

11.1.4. Use credible third party sources to determine the useful life of each installed product, which will be used to set the maximum term for financing from the Program; and

11.1.5. Require that each product is permanently affixed to the Property.

11.1.6. For avoidance of doubt, anything of value provided by the contractor to the homeowner except for the Measures cannot be included in the Program financing.

11.2. Procedures. It is the policy of the Program that the Partner establish procedures confirming that the homeowner applying for Program financing intends to install eligible products, and that at the time of funding such improvements have been installed.

11.3. Ineligible Products.

11.3.1. Financing of ineligible products under the Program is prohibited.

11.3.2. Products that are not included on the eligible products list or in the eligible products database can be submitted for review by the Program, if a homeowner has reason to believe they should have been included.

12. MAXIMUM FINANCING AMOUNT

Policy Summary: Many homeowners cannot readily access price information regarding the installation of energy efficiency and renewable energy improvements for their homes, and cost often is a key economic consideration. While the Program does not set price controls, it implements a maximum financing amount ("MFA") procedure based upon the fair market value of the Measures. The MFA sets the ceiling for amounts that can be financed.

The Program's maximum financing amount policies provide as follows:

12.1. It is the policy of the Program to develop MFAs based on market data and each Partner's experience, but not to set pricing for installation of eligible products and projects. In evaluating project pricing, the Partner takes into account regional factors that may contribute to the pricing of improvements.

12.2. It is the policy of the Program that each Partner will, at a minimum, establish an MFA for each product type (e.g. for central air conditioners, solar PV systems, solar thermal systems and storm windows).

12.3. Within each MFA, there is a low to high range of justifiable pricing, depending on the particular product within a product type (e.g. there may be different types of central air conditioners, solar PV systems, solar thermal systems and storm windows). It is the policy of the Program that each Partner will establish product/project attribute related pricing rules, consistent with and in consideration of the key product pricing attributes provide in Attachment D hereto, that dictate what pricing within such low to high MFA range is justified.

12.4. It is the policy of the Program that each Partner establish processes and systems for purposes of enforcing the MFA rules (as described in Section 12.3) for every project.

12.5. A product may only be funded for an amount that is greater than the MFA for such product if the amount exceeding the MFA is justified by reasonable standards that are validated and documented through processes and systems acceptable to the Authority.

13. REPORTING

Policy Summary: Reporting the economic and environmental results of Program participation is essential for the Program, Partners, elected officials, environmental agencies, the investment community, the real estate and mortgage industry and many other stakeholders. Metrics such as economic stimulus dollars invested, greenhouse gas reduction, the number of Measures funded, the amounts funded, renewable energy production and energy savings serve this need. The Partner is responsible for producing, on a quarterly basis, a key metrics report.

13.1. Reporting Categories. It is the policy of the Program that Program statistics reporting and estimated impact metrics in the following categories be developed and reported quarterly to the Authority: (i) number of projects funded, (ii) project amount funded, (iii) estimated amount of energy savings, (iv) estimated amount of renewable energy produced, (v) estimated amount of greenhouse gas emissions reductions, and (vi) estimated number of jobs created.

13.2. Reporting Standards. It is the policy of the Program that all data collected for the quarterly metrics reports be developed and collected using standardized, third party verified methodologies. The methodologies and supporting assumptions and/or sources must be made available to the Authority by the Partner. It is the responsibility of the Partner to develop reports consistent with each of categories listed above and to test and verify the data collection and reporting methods and models used. All reports shall include only aggregate data, excluding any sensitive customer information.

14. CLOSING & FUNDING

Policy Summary: The Program provides limited purpose financing to homeowners, and not general purpose financing that is common among traditional sources of financing. The Program has front-end (e.g., eligible product call-in requirements) and pre-funding (e.g., completion certificates and permits) procedures designed to confirm that their financing dollars are used for permissible purposes. A policy requiring such procedures is essential to protecting the integrity of the Program.

14.1. Installation Completion Sign-off. It is the policy of the Program to confirm, before funding, that the eligible products financed are installed, operational and in a condition that is acceptable to the homeowner and the contractor, and to require that the homeowner and the contractor attest to such by signing a document stating that all products have been installed to the homeowner's satisfaction and in accordance with product specifications. It is the responsibility of the Partner to confirm any such document is signed within the maximum allowable installation time as specified by the Program

14.2. Permits. It is the policy of the Program for homeowners seeking Program financing to obtain required permits for the installation of Measures and provide verification thereof upon request.

14.3. Funding. It is the policy of the Program to disburse funds only for projects that are complete.

14.4. Recording. It is the policy of the Program to record the Notice of Assessment and Payment of Contractual Assessment Required documentation in a manner consistent with state law.

14.5. Asset verification. It is the policy of the Program to confirm that product(s) listed on the Completion Certificate and for which Program financing has been provided have been installed and that the Partner develop and implement a randomized onsite inspection protocol acceptable to the Authority.

15. EXAMINATION

Policy Summary: Authority oversight provides assurances to stakeholders that the Program is operating in compliance with its legislative purpose. Authority is responsible for reviewing the practices of the Partners for compliance with the Policies set forth herein, the procedures developed in response to them and the legislation that enables the Program.

15.1 Examination Process. Authority will conduct, or select a third party audit firm to conduct, an initial capacity and qualification validation of the systems, processes and technology of each Partner to confirm that such Partner is able to comply with the requirements, data gathering, consumer protection, funding and other functionalities set forth in these Policies. Thereafter, each Partner shall undergo periodic examinations at the direction of the Authority and examinations shall be conducted quarterly until the Partner has successfully proven compliance for three (3) consecutive quarters and received approval from the Authority to transition to a biannual or annual examination schedule. In addition, the Authority may request that a Partner undergo additional capacity and qualification validation examinations, provided the Authority provides the Partner thirty (30) days advance written notice and conducts such examination during normal business hours of the Partner. Such examinations shall include validation and confirmation that PACE assessments are originated in accordance with applicable laws and the requirements of these Policies, including (without limitation) that Program financing is used only to finance eligible Measures, that (at a minimum) the risk criteria requirements provided in these Policies have been met for Program financings and that Program financing is provided only to Properties located within a city or county (as applicable) that has approved the parcels within its geographical boundaries for participation in the Program in accordance with applicable law. The protocols used to review and test each Partner's data are designed to give the Authority and each Partner a high (above 90%) confidence level that the conclusions reached are accurate. If a Partner were to fall short of compliance with these baseline Policies, it would need to promptly correct its practices and provide evidence of such correction to the Authority.