



CSCDA OPEN PACE RESIDENTIAL

**PROGRAM AND PROCEDURES HANDBOOK**

FortiFi Financial, Inc.

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# 1. PROGRAM INTRODUCTION

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## 1.1 Program Overview

This California Statewide Communities Development Authority (“CSCDA”) Open PACE Program & Procedures Handbook (“Handbook”) outlines FortiFi Financial, Inc.’s (“FortiFi”) policies and procedures for administering the CSCDA Open PACE Program (the “Open PACE Program” or “Program”). The CSCDA has established the Open PACE Program for the benefit of its county-members (including any incorporated city within those counties) and the cities in Los Angeles County that are members of CSCDA. The Program offers property owners a financing alternative to make capital improvements when installing energy or water efficiency, wildfire safety improvements, seismic strengthening or electronic vehicle charging infrastructure improvements (“Eligible Improvements”). Participation in the Program is voluntary. Property owners repay the financing through semi-annual installments collected through a property tax assessment lien (“PACE Assessment”), which is added to their property tax bill. The property owner and the CSCDA enter into a contract for the PACE financing (“Assessment Contract”), pursuant to which disbursement of payment for the installation of the Eligible Improvements will be made directly to the contractor selected by the property owner after the property owner confirms to FortiFi that the Eligible Products have been installed to the property owner’s satisfaction. Property owners are required to be on the property title and meet all eligibility requirements to qualify for PACE financing.

**PACE is NOT a free government program. PACE offers property owners an alternative method to finance Eligible Improvements. Property Owners who choose to finance Eligible Improvements with PACE financing will pay the cost of the Eligible Improvements, interest and fees through their annual property tax bill.**

## 1.2 California Statewide Communities Development Authority

The CSCDA was created in 1988 under California’s Joint Exercise of Powers Act, to provide local governments access to low-cost financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities. The CSCDA is a statewide joint powers authority sponsored by the California State Association of Counties and the League of California Cities. In 2015, the CSCDA launched the Open PACE Program to finance Eligible Improvements as may be authorized by law from time to time that are permanently fixed to real property through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the Streets and Highways Code and the issuance of improvements bonds under the Improvement Bond Act of 1915. In 2019, the CDCDA engaged FortiFi, as a program administrator, to administer the Open PACE Program.

## 1.3 Purpose of the Open PACE Program

CSCDA is offering the Open PACE Program on a statewide basis to encourage the installation of distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, wildfire safety improvements, seismic strengthening improvements and electric vehicle charging infrastructure within the existing residential and non-residential building stock. CSCDA will issue

assessment-backed bonds that will allow property owners to access competitive interest rates offered by the capital markets.

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

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

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

#### **1.4 About this Handbook**

The purpose of this Handbook is to provide the policies and procedures of FortiFi in administering the OPEN PACE Program for residential real property. The Property and all Property Owners<sup>1</sup> on the title must meet all of the eligibility requirements and agree to comply with all of the Program rules for the application and funding processes, installment of Eligible Improvements, and repayment of the Total Assessment Obligations, as outlined in this Handbook. All Program applicants are required to verify that they have access to the Handbook, which describes the legal issues associated with the Program, including the responsibilities and obligations of participating Property Owners, Eligible Contractors, and FortiFi, the Program Administrator. Prior to disbursement of the PACE financing proceeds, Property Owners are required to certify in writing that they have read and complied with the terms of the Handbook.

The CSCDA engages multiple program administrators to independently administer and provide financing under the Open PACE Program. Separate Program Handbooks provide additional details about how the Open PACE Program operates with respect to a particular program administrator.

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<sup>1</sup> Unless the context clearly requires otherwise, the capitalized terms used in this Handbook are defined in the Key Terms section herein.

## 1.5 Potential Implications for Property Sale or Refinancing

In May 2010, Fannie Mae and Freddie Mac, government sponsored enterprises that purchase a large segment of conforming single family home mortgages from lending institutions, issued new instructions to lending institutions on how to treat properties with assessments under PACE programs. On August 31, 2010, these agencies issued additional instructions to lenders to the effect that Fannie Mae and Freddie Mac “will not purchase mortgage loans secured by properties with an outstanding PACE obligation.”

These instructions may lead mortgage lenders to conclude the PACE assessment should be paid off before a property transfers or is refinanced. In addition, it may lead some lenders to conclude that participating in a PACE program is a violation of typical mortgage terms prohibiting senior liens without lender consent. If a Property Owner is selling the Property, a buyer's lender may refuse to finance the buyer's first mortgage loan unless the assessment is paid off. Property Owners are urged to carefully read the disclosure information in the Program Application, review this Handbook, review mortgage documents, evaluate the risks of proceeding with a Program Application at this time, and contact their lender if they have any concerns or for information regarding any other financing options that may be available.

Before entering into an Assessment Contract, the Property Owner should carefully review any mortgage agreement(s) or other security instrument(s) which affect the Property or to which the Property Owner is a party. Entering into an Assessment Contract without the consent of the existing lender(s) could constitute an event of default under such agreements or security instruments. Defaulting under an existing mortgage agreement or security instrument could have serious consequences to the Property Owner, which could include the acceleration of the repayment obligations due under such agreement or security instrument.

If the lender requires an impound for property taxes it is the Property Owner's responsibility to notify the lender of the Annual Assessment Obligation so the lender can adjust the impound amount.

## 1.6 Future Program Changes

The CSCDA and FortiFi reserve the right to change the Program and its terms at any time. However, any change will not affect a Property Owner's existing obligation to pay the Total Assessment Obligation agreed to in the Assessment Contract. If any provisions of this Handbook are deemed to be unlawful, void, or for any reason unenforceable, that provision shall be deemed severed from the Handbook and shall not affect the validity and enforceability of any remaining provisions.

## 1.7 Program Contact Information

### **FortiFi Financial, Inc:**

**Toll-Free Phone:** (855) 500-9505

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**Address:** FortiFi Financial, Inc.  
12770 High Bluff Drive, Suite 260  
San Diego, CA 92130

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**Website:** [www.fortifi.com](http://www.fortifi.com)

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**Customer Service:** [compliance@fortifi.com](mailto:compliance@fortifi.com)

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### **Department of Financial Protection and Innovation:**

**Email:** [ask.dfpi@dfpi.ca.gov](mailto:ask.dfpi@dfpi.ca.gov)

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**Website:** [www.dfpi.ca.gov](http://www.dfpi.ca.gov)

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**Consumer Services Toll-Free Number:** (866) 275-2677

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## Key Terms

Below is a reference list of key terms associated with participation in the Program.

**Annual Assessment Obligation:** annual amount added to the property tax bill, which is equal to Principal, Interest, and Estimated Administrative Expenses for one tax year.

**Annual Financing Installment:** the annual Principal and Interest paid for one tax year.

**Application:** Program application submitted to the CSCDA and FortiFi by the Property Owner in connection with a request for PACE financing. By submission of the Application, the Property Owner represents and warrants that the information set forth therein, including representations concerning the Property Owner and the Property, are true and correct as of the date made.

**Assessed Value:** value of a property that has been determined by the county tax assessor's office.

**Assessment:** also called Principal or Total Financed Amount. This is equal to the sum of the Project Amount and Upfront Costs. The Assessment, and each installment thereof and the interest and penalties, if any, thereon constitute a lien against the Property until fully repaid.

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

**Building Permit:** formal approval of building plans by the designated government agency as meeting the requirements of prescribed codes. It is an authorization to proceed with the

construction or reconfiguration of a specific structure at a particular site, in accordance with the approved drawings and specifications.

California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA): CAEATFA administers a program for the State that protects mortgage holders from losses they may incur due to a foreclosure event initiated by a PACE program for a delinquent PACE assessment.

California Statewide Communities Development Authority (CSCDA): a joint powers authority representing its California city and county members. The CSCDA established the CSCDA Open PACE Program for the benefit of its members to allow for the financing or refinancing through the levy of contractual assessments to encourage the installation of Eligible Improvements.

California State Licensing Board (CSLB): State entity that licenses and regulates all contractors.

Capitalized Interest: Interest on the financed amount for the period prior to the first tax year (or initial tax year) in which payment is made.

Completion Certificate: a document signed by the Property Owner and the Eligible Contractor certifying, among other things, that the Eligible Improvement(s) listed on the Completion Certificate have been installed and are complete to the Property Owner's satisfaction and instructing FortiFi to disburse the PACE financing proceeds to the Eligible Contractor.

Eligible Contractor: person or business entity that contracts with the Property Owner to install Eligible Improvements that has signed a Contractor Program Participation Agreement with the Program Administrator. The Eligible Contractor is selected by the Property Owner. **The Eligible Contractor is not the agent, contractor, employee, partner, joint venturer, or franchisee of FortiFi in any respect for any purpose whatsoever.** Upon the Property Owner's execution of the Completion Certificate and oral confirmation that the Project has been completed to the Property Owner's satisfaction, the PACE financing proceeds will be disbursed to the Eligible Contractor.

Eligible Improvements: PACE authorized improvements that may be financed through the Program. Eligible Improvements are listed in Appendix A.

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

ENERGY STAR: U.S. Environmental Protection Agency (EPA) approved symbol for products that deliver cost-saving energy efficiency solutions that protect the climate while improving air quality and protecting public health.

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

Expiration Date: date that all approved Eligible Improvements must be installed and completed in order for the locked interest rate on the Assessment Contract to remain unchanged (typically 180 days after the Assessment Contract Date, depending on the installed Eligible Improvement).



Financing Documents: the Application, Completion Certificate, Financing Estimate and Disclosure, Assessment Contract and related documents that the Property Owner(s) executes to obtain PACE financing.

Financing Installment: Principal and Interest component of the Annual Assessment Obligation.

Funding Date: date for disbursement of payment to the Eligible Contractor.

Home Improvement Contract: Contract or agreement between the Property Owner(s) and Eligible Contractor pursuant to which the Eligible Contractor agrees to install Eligible Improvements on the Property and the Property Owner agrees to pay the referenced Project Amount, which will be financed by the PACE Assessment.

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

Lien Recording Fee: county fee charged for recording notice documents relating to the Assessment on the Property.

Participating Jurisdiction: area where Program financing is available as identified on FortiFi's website at [www.FortiFi.com/communities](http://www.FortiFi.com/communities).

Principal: also called Total Financed Amount or Assessment. This is equal to the sum of the Project Amount and Upfront Costs.

Program: CSCDA Open PACE Program.

Program Administrator: FortiFi Financial, Inc. (formerly known as Energy Efficient Equity (E3).

Program-Related Fees: one-time fees incurred at funding. Program-Related Fees include program administration, origination, program sponsor, bond counsel, and tax administration.

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

Project Amount: total amount requested by Property Owner to finance the installation of Eligible Improvements.

Property: real property where Eligible Improvements will be installed.

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

Property Value: value derived from an automated valuation model, the Assessed Value, or the appraised value.

Residential: depending on the jurisdiction, single family home with 4 or fewer residential units.

Recording Fee: fee paid to the county to record and process the Assessment.

Term: number of years to pay off the Assessment.



Total Financed Amount: also called Principal or Assessment. This is equal to the sum of the Project Amount and Upfront Costs.

Total Assessment Obligation: total of Principal, Interest and Estimated Administrative Expenses over the Term.

Total Project Amount: amount to be disbursed to the Eligible Contractor for the costs of the Eligible Improvement(s) installed on the Property.

Upfront Costs: one-time fees incurred at funding. Upfront Costs include Program-Related Fees, Recording Fee and Capitalized Interest.

## 2. PROGRAM ELIGIBILITY REQUIREMENTS

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Before submitting an Application to FortiFi, carefully review this section to determine whether the Property and the Property Owner(s) are eligible for Program financing. **The Eligibility requirements listed below are the minimum requirements and may vary depending on the jurisdiction.**

### 2.1 Property Eligibility

In determining whether a Property and an associated Eligible Improvement is eligible for PACE financing, FortiFi complies with all requirements of state law and all CSCDA Open PACE Program rules and consumer protection guidelines. FortiFi's Property eligibility criteria include the following:

Criteria	Requirements
Residential Property	The following residential properties are approved in all jurisdictions: (i) properties with 1-3 living units (may include single family, condominium, townhome, PUD, duplex, triplex, and 4-plex) and (ii) manufactured homes that have supportive documentation showing they have foundations or are permanently affixed and taxed as real property as stated in CAEATFA's Regulations Section 10081 (b) (8). The Property must not be exempt from ad valorem taxes.
Maximum/Minimum Financing	The financing must be for less than 15% of the value of the Property, up to the first seven hundred thousand dollars (\$700,000) inclusive of the existing assessments, and for less than 10% of the remaining value of the Property above seven hundred thousand dollars (\$700,000). The maximum residential Assessment amount is \$200,000, the minimum residential Assessment amount is \$2,500.

Debt and Equity	All debt secured by the Property may not exceed 90% of the Property's fair market value ("FMV"), at the time the Application is submitted. Property Owners shall have a minimum of 10% equity in the Property prior to receiving financing through the Program. The total of all debt secured by the subject Property, the new PACE Assessment and all involuntary liens as described herein may not exceed 97% the Property value.
Mortgage History	The Property Owner must be current on all mortgage debt on the Property and have no more than one late payment during the six months immediately preceding the Application date and the late payment may not exceed 30 days past due. The Property cannot be subject to a reverse mortgage.
Participating Jurisdiction	Property must be located in and pay property taxes to a Participating Jurisdiction, and if within the boundaries of a city, the city must have adopted a resolution to participate in the Program.
Property Taxes	The total amount of any annual property taxes and assessments (including all PACE assessments) shall not exceed five percent (5%) of the Property's FMV. All property taxes for the Property that will be subject to the Assessment must be current and FortiFi must ask the Property Owner whether there has been no more than one late payment of property taxes on the Property for the previous three years or since the Property Owner acquired the Property, whichever is shorter.
Involuntary Liens; Defaults	The Property must not have any involuntary liens with a balance greater than \$1,000.00. The Property must not have any notices of default currently recorded that have not been rescinded.
Project Eligibility	The Eligible Improvements to be financed under the Program must be a distributed generation renewable energy source, an energy efficiency improvement, a water efficiency improvement, a seismic strengthening improvement or electric vehicle charging infrastructure that is permanently affixed to residential real property. The improvement may also be a wildfire safety improvement permanently affixed to real where the additional requirements of SB 465 are satisfied.
Determination of Property Value	The market value of the Property will be derived using an automated valuation model provided by a third-party vendor selected by FortiFi, the Assessed Value, or an appraisal conducted within six months of the Application date by a state licensed or state certified real estate appraiser conducted in accordance with applicable laws and regulations.

Number of PACE Assessments	Property Owners may apply for multiple PACE Assessments under the Program for the same Property or another Property, provided that the sum of all PACE Assessments for the particular Property meet all Program guidelines described herein, including but not limited to maximum PACE Assessment amounts.
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## 2.2 Property Owner Eligibility

To be eligible for PACE financing, Property Owners must meet the following criteria:

Criteria	Requirements
Owner of Record	Applicant(s) must be the owner(s) of record according to the Property's title records recorded with the Participating Jurisdiction.
Properties Held in Trusts and Corporate Entities	If the Property is held in a trust or owned by a legal entity such as a corporation or LLC, the Property may be eligible for Program participation provided that the applicant(s) provide documentation from the legal entity granting the applicant(s) the authority to enter into an Assessment Contract.
Ability to Pay	Property Owners must demonstrate a reasonable ability to pay the Annual Assessment Obligation based on the Property Owners' income, assets and current debt obligations. Property Owners attest to true and accurate ability to pay information by signing the Application and Disclosures.
Bankruptcy	The Property Owner cannot have been a party to any bankruptcy proceedings within the prior four years, except that the Property Owner may have been party to a bankruptcy proceeding that was discharged or dismissed between two and four years before the Application date and the Property Owner has had no payments more than 30 days past due on any mortgage debt or non mortgage debt, excluding medical debt, during the 12 months immediately preceding the Application date.

## 2.3 Product Eligibility

The Program offers a way for Property Owners to finance the installation of solar, energy efficiency, water efficiency, seismic strengthening, electric vehicle charging infrastructure, and wildfire hardening products that will be permanently affixed to property. The PACE Assessment Contract can be used to cover the Project costs of products, materials, professional installation, analysis, design, drafting, engineering, permitting, inspections and fees. PACE financing is not available for labor or material charges that are not directly related to the installation of Eligible Improvements. FortiFi may update the product eligibility guidelines and the list of Eligible Improvements from time to time. **The Property**

**Owner is strongly encouraged to get multiple bids to determine an appropriate range of costs for the Project.**

To be eligible the Project must meet the following criteria:

<b>Criteria</b>	<b>Requirements</b>
Eligible Improvements	Eligible Improvements must be approved by FortiFi, and meet minimum energy production, energy efficiency, water conservation, water efficiency, seismic strengthening, fire hardening and/or other requirements. Product guidelines and eligibility criteria are attached as <b>Exhibit A</b> and available on FortiFi's website at <a href="http://www.fortifi.com">www.fortifi.com</a> .
New Products	Property Owners who would like to install a product that is not on the Eligible Product List can fill out and submit a New Product Application Form. This form is typically filled out by the Eligible Contractor. FortiFi will review the new product request and determine if the product meets necessary energy efficiency performance attributes. A decision will be made by and at the sole discretion of the CSCDA to add the new product to the Eligible Improvements and Useful Life Schedule.
No Used Products	All products and materials must be new. Used, refurbished or remanufactured products are not eligible for PACE financing.
Permanently Affixed	Eligible products must be permanently affixed to the subject Property.
Useful Life	The Term of the Assessment Contract may not exceed the estimated useful life of the product to which the greatest portion of funds disbursed under the Assessment Contract is attributable.
Installation	A licensed Eligible Contractor that is approved by FortiFi must complete all installations. No self-installations are permitted. Installation costs may include, but are not limited to, energy/water audit costs, appraisals, labor, design, drafting, engineering, permit fees, and inspection charges.
Emergency or Immediate Necessity Product	In the case of an emergency or immediate necessity to finance an eligible heating, ventilation, air conditioning (HVAC) system, boiler or other system whose primary function is temperature regulation, income verification may waived if automated verification is not available, and the following conditions have been met: 1) automated verification of income is attempted; 2) FortiFi asks the Property Owner open-ended questions during the oral confirmation of key terms call to identify income and sources of income; 3) the Property Owner executes a

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waiver of their Right to Cancel, and 4) the amount of the Assessment Contract does not exceed \$15,000 or a monthly equivalent payment of \$125.

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## 2.4 Contractor Eligibility

Only Eligible Contractors that have enrolled with FortiFi may complete Projects financed by the Program.

**PROPERTY OWNERS ARE SOLELY RESPONSIBLE FOR SELECTING AN ELIGIBLE CONTRACTOR. PROPERTY OWNERS ENTER INTO A HOME IMPROVEMENT CONTRACT FOR ELIGIBLE IMPROVEMENTS AT THEIR SOLE DISCRETION. FORTIFI DOES NOT SELECT THE ELIGIBLE CONTRACTOR AND IS NOT A PARTY TO THE HOME IMPROVEMENT CONTRACT.**

**ELIGIBLE CONTRACTORS ARE NOT THE AGENTS OF FORTIFI OR THE CSCDA.**

**FORTIFI, THE CSCDA AND THEIR OFFICERS, EMPLOYEES, AGENTS AND ASSIGNS DO NOT ENDORSE OR RECOMMEND ELIGIBLE CONTRACTORS WHO INSTALL ELIGIBLE IMPROVEMENTS, NOR DO THEY GUARANTEE, WARRANTY OR IN ANY WAY ENSURE THE COMPLETION, INSTALLATION, DESIGN, ECONOMIC VALUE, ENERGY SAVINGS, SAFETY, DURABILITY OR RELIABILITY OF THE ELIGIBLE IMPROVEMENTS BY THE ELIGIBLE CONTRACTORS.**

In addition to meeting FortiFi's Application requirements, a contractor must meet the following minimum criteria to apply to enroll to as an Eligible Contractor:

*Approval or denial of enrollment as an Eligible Contractor is at the sole discretion of the FortiFi.*

Criteria	Requirements
Active CSLB License	Contractor must have a license in good standing with the Contractors State License Board ("CSLB"). FortiFi will verify the Contractor's license is active at the time the Contractor submits an application for enrollment as an Eligible Contractor. Contractor must maintain all licenses, registrations and bonds required by applicable law, including but not limited to the California Business & Professions Code and all applicable CSLB requirements.
Insured and Bonded	Contractor must have general liability and worker's compensation insurance and carry a bond in the amount required by the CSLB.
Customer Review	Must have favorable consumer reviews, e.g., an average of 3+ stars on Yelp or similar site. Based on reviews and other information, Contractor must not have: a clear pattern of customer complaints regarding dishonesty,

	misrepresentations or omissions; a high likelihood of soliciting assessment contracts in a manner that does not comply with applicable law; or a clear pattern of failing to timely receive and respond to property owner complaints.
Contractor Agreement	All Contractors must execute FortiFi's Contractor Program Participation Agreement.

## 3. FINANCIAL TERMS

### 3.1 PACE Assessment Costs

Below are the costs and fees associated with Program financing. Costs and fees associated with a specific Project will be set forth in the Financing Estimate and Disclosure and the Assessment Contract. If the Project is not completed by the Expiration Date indicated on the Financing Documents, FortiFi reserves the right to require the Property Owner to enter into a new Assessment Contract for Program financing which may have different interest rates and costs.

#### Interest Rate

The Interest Rate for an Assessment is set at the time the Financing Documents are issued. The Interest Rate for an Assessment is set at the sole discretion of FortiFi. The Interest Rate will remain fixed for the entire term of the PACE Assessment.

#### Application Fee

There are no costs to apply for the Program.

#### Bond Related Costs

A deposit for debt servicing related to the cost of issuing the bonds.

#### Lien Recording Fee

The fee paid to the Property Owner's County to record and process the Assessment.

#### Capitalized Interest

The amount of interest that is added to the Assessment amount for the period prior to the first tax year in which payment is made. Capitalized Interest accrues between the date the Property Owner executes the Completion Certificate and September 2 of the tax roll enrollment year.

#### Annual Administrative Fees

An annual fee for ongoing administrative expenses incurred in connection with the administration and management of the Program.

### 3.2 Annual Repayment

Property Owners repay the Principal, Interest and Annual Administrative Fees over the financing term as agreed to and specified in the Assessment Contract, any Addendum, and Notice of Assessment. The Assessment will be billed and paid as a line item on the Property Owner's property tax bill. The payment schedule will be included in the Assessment Contract and Notice of Assessment.

### 3.3 Prepayment

The PACE Assessment may be prepaid in full or in part at any time with a minimum partial prepayment of \$2,500. FortiFi does not charge the Property Owner a prepayment fee. Property Owner's may be charged an optional fee to obtain an Assessment payoff quote.

## 4. PROGRAM PROCESS

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This section describes the Program application and funding process for Residential Property Owners and Eligible Contractors.

### 4.1 Scope of Project

The Property Owner selects the Eligible Improvements to finance through the Program. The Property Owner selects the Eligible Contractor to install the Eligible Improvements. The Eligible Contractor must submit a Home Improvement Contract executed by the Property Owner and the Eligible Contractor which delineates the Eligible Products(s), quantity and cost for which the Property Owner is applying for PACE financing.

### 4.2 Application Submission

Property Owners must submit an Application, Consent to Electronic Signatures, and make certain Disclosures to apply for PACE financing. Submission of an Application does not guarantee that the Property Owner will be approved for financing. The Eligible Contractor should not begin installation of the Project prior to receiving a Notice to Proceed from FortiFi. As part of the Application, the Property Owner will authorize and permit FortiFi to obtain a credit report for each Property Owner and other consumer reports necessary to verify bankruptcy status and Property debt, obtain Property valuation, verify Property Owner declarations regarding title to the Property and current and historical Property tax status, verify income and employment status, and other records necessary to verify information in the Application or confirm eligibility for the Program.

Any misrepresentation made in the Application, the Home Improvement Contract or any other document at any time may cause the Property Owner and/or Eligible Contractor to be terminated from the Program, the Application to be denied, FortiFi to decline to finance the Eligible Improvements as ineligible and/or initiation of legal action to recover fraudulently obtained funds.



When an Application is submitted, the following reports are obtained (after obtaining authorization from the Property Owner) and reviewed to determine Property eligibility for PACE financing per the criteria above:

Required Documents	Description
Credit Report	A report provided by Experian, TransUnion or Equifax containing detailed information on an applicant's credit history, including identifying information, credit accounts and loans, bankruptcies, late payments, and recent inquiries.
Property Profile Report	The Property Profile Report is a comprehensive report that summarizes all the information related to the property, including owner, legal description, location, assessment and tax, property characteristics, market sale and sale history, listing data, mortgage history, foreclosure history, owner transfer, and other features.
Lien Report	The Lien Report shows if the subject property has any of the following involuntary Liens with a balance greater than one thousand dollars: Federal Income Tax, State Income Tax or a Judgment.
Automated Value Model (AVM)	The fair market value is provided from a third-party vendor and utilizes at least three AVM's for each Property. The estimated value for each model shall be the average between the high and low values, if a range is provided. The estimated value with the highest confidence score for a Property will be utilized as the Property value.
Government Issued Identification	A government issued identification card or document is required for all Property Owners of record.
Tax ID	A tax identification number provided by each participating member jurisdiction authorizing the CSCDA to levy Assessments and receive remittances from property tax collections.

If the information needed to determine an application's eligibility for financing is not found in the Required Documents, the following supplemental documents may be requested:

Supplemental Documents	Description
Mortgage Statements	If the mortgage does not automatically populate on the Property Owner's credit report, a current mortgage statement will be requested.
Entity Organizational Documents	Trust documents, LLC or Corporations documents will be requested if the Property is held in a corporate entity.

Appraisal and/or Settlement Statements	A third-party appraisal by a licensed appraiser indicating the FMV for the Property as of the appraisal date. This report must be dated no more than 6 months prior to the application approval date.
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Prior to executing an Assessment Contract, FortiFi makes a reasonable good faith determination that the Property Owner has a reasonable ability to pay the Annual Assessment Obligation for the PACE Assessment based on the Property Owner's income, assets, and current debt obligations. Eligible Contractors may not begin work under a Home Improvement Contract that is financed by an Assessment Contract until FortiFi's ability to pay determination has been made.

FortiFi will determine and consider the current or reasonably expected income or assets of the Property Owner to determine a Property Owner's ability to pay the Annual Assessment Obligation using information submitted by the Property Owner in the Application and confirmation of key terms call and reasonably reliable third-party records of the Property Owner's income or assets.

In calculating the reasonable ability of the Property Owner to pay the Annual Assessment Obligation, FortiFi determines whether the Property Owner's income is sufficient to meet:

1. The PACE Assessment payment, including all interest and fees.
2. Any mortgage payments.
3. Existing debts and obligations.
4. Sufficient residual income to meet basic household living expenses.

FortiFi may waive the income or asset verification requirement where the Application is for PACE funding to finance a heating, ventilation, and air conditioning (HVAC) system, boiler, or other system whose primary function is temperature regulation in the event of an emergency or immediate necessity, only under the terms and conditions set forth in California Financial Code §22687(e).

### 4.3 Application Results

FortiFi will review the Application and issue a notification of status via email to the Property Owner as defined below.

#### Under Review

An Application will be considered "under review" if FortiFi must verify certain information in the Application before a determination can be made. FortiFi will review third-party information to make the determination. No action is required by the Property Owner or the Eligible Contractor. The Property Owner may be approved, conditionally approved or declined once the information is received.

#### Conditionally Approved

An Application will be "conditionally approved" if all the submitted information meets the initial underwriting eligibility requirements but is incomplete with respect to information regarding the Property or Property Owner(s). It is within FortiFi's discretion to request specific types of additional documentation depending on the issues related to the

Application. Once FortiFi is satisfied that sufficient information has been obtained, verified and meets the eligibility requirements, an Application can be approved.

#### Approved

An Application will be “approved” if FortiFi has verified all of the items listed in the Eligibility Requirements for the Property and Property Owner(s). An “approved” applicant must comply with all Program requirements during the process or will not be approved for funding at a later date. Approvals are subject to expiration to be determined by FortiFi at the time of approval.

#### Declined

An application will be “declined” if FortiFi determines the Property Owner or the Property do not meet the eligibility requirements. If the Property Owner believes there has been an error in declining the Application, he or she may contact FortiFi to discuss the perceived error.

### **4.4 Financing Documents**

Once the Application is conditionally approved, FortiFi will email a “read only” version of the Financing Estimate and Disclosure, Notice of Right to Cancel and Assessment Contract to the Property Owner for review.

### **4.5 Oral Confirmation of Terms Call**

After the “read only” Assessment Contract, Financing Estimate and Disclosure and Notice of Right to Cancel are emailed to the Property Owner(s), FortiFi will conduct a recorded oral confirmation of terms telephone call with a Property Owner. During this call, among other legal requirements, FortiFi will confirm that at least one Property Owner has a copy of the Assessment Contract, Financing Estimate and Disclosure and Right to Cancel, and has had the opportunity to review these documents. During this call, FortiFi will explain the key terms, including total estimated annual costs the Property Owner will have to pay, that the Assessment will be paid through the Property Owner’s property tax bill, that the Property will be subject to a lien during the term of the Assessment Contract that is recorded against the Property, that the obligations under the Assessment Contract may be required to be paid in full before the Property Owner sells or refinances the Property, that the Property Owner has a three or five business day right to cancel the Assessment Contract depending on the age of all Property Owners, and asks the Property Owner whether the Property has received or is seeking additional PACE assessments and whether the Property Owner has disclosed all other PACE assessments or special taxes that are or are about to be placed on the Property.

After completion of the recorded oral confirmation of terms call, FortiFi will email an executable version of the Assessment Contract, Financing Estimate and Disclosure and Notice of Right to Cancel to the Property Owner(s) for electronic signature.

### **4.6 Notice of Right to Cancel**

FortiFi notifies the Property Owner of the right to cancel the Assessment Contract via the confirmation of key terms call described above, the Assessment Contract and the Financing Estimate and Disclosure. If any Property Owner is 65 years old or older, the Assessment Contract may be cancelled at any time on or before midnight on the fifth

business day after the date of the transaction to enter into the agreement without penalty or obligation. If all Property Owners are under the age of 65, the Assessment Contract may be cancelled at any time on or before midnight on the third business day after the date of the transaction to enter into the agreement without penalty or obligation.

#### **4.7 Notice to Proceed and Installation of Eligible Improvements**

After the Financing Documents are signed by the Property Owner(s), an authorized representative of the CSCDA will countersign the Assessment Contract and FortiFi will issue a Notice to Proceed. The Notice to Proceed will be sent by email to the Eligible Contractor and Property Owner(s). The Eligible Contractor should not begin installation of the Project prior to receiving the Notice to Proceed. The Notice to Proceed will indicate the time by which all Eligible Installments must be installed, and payment disbursement requested. With the exception of seismic retrofits, windows, doors and Eligible Improvements related to attached garage conversions, and extraordinary circumstances, Eligible Installments must be completed within 180 days.

#### **Building Permits and Inspection**

The Property Owner and the Eligible Contractor are solely responsible for obtaining all required and necessary Building Permits and completing final inspections by the appropriate city or county building department. The Property Owner and the Eligible Contractor are solely responsible for ensuring that the Eligible Installments have met all applicable federal, state and local laws and regulations.

#### **4.8 Certificate of Completion**

Upon completion of the Project, before the proceeds of PACE financing can be disbursed to the Eligible Contractor, the Property Owner and the Eligible Contractor are required to execute and submit to FortiFi a Certificate of Completion certifying, among other things, that 1) the Eligible Improvements have been made to the Property and are complete to the Property Owner's satisfaction; 2) Property Owner has read, understands and complied with all terms of the Handbook; 3) Property Owner understands that the Program does not endorse the Contractor or make any representations as to the economic value, safety, durability or reliability of the improvements; 4) Property Owner has obtained all necessary final permits and inspections required for the Eligible Improvements made; 5) Property Owner instructs FortiFi to disburse to the Contractor the total cost of the Eligible Improvements indicated on the Certificate of Completion.

#### **4.9 Completion Call**

Upon receipt of the executed Certificate of Completion, FortiFi will conduct a recorded completion call with a Property Owner. During this call, FortiFi will, among other things, confirm that the Property Owner executed the Certificate of Completion and that the work was completed to the Property owner's satisfaction, re-confirm the financing terms of the Assessment Contract, and re-confirm instructions regarding payment of Assessment through mortgage impound or property tax bill.

#### **4.10 Third-Party Physical Inspection**

Upon completion of the Project, a third-party inspector will conduct an onsite inspection to review all Eligible Improvements associated with the Assessment and validate that the work was completed in a professional manner and per the specifications in the

Assessment Contract. Each inspection will note the installed products and provide a photo of the completed work.

#### **4.11 Disbursement of PACE Financing Proceeds to Eligible Contractor**

Upon receipt of the executed Completion Certificate instructing FortiFi to release the cost of the Eligible Improvements to the Eligible Contractor, and verbal confirmation of same during the Completion Call, FortiFi will disburse the Total Project Amount of the Property Owner's PACE financing to the Eligible Contractor.

#### **4.12 Record Assessment Lien on Property**

After receiving the executed Certificate of Completion and verbal confirmation during the Completion Call, FortiFi will record the Assessment lien documents, including the Notice of Assessment and Payment of Contractual Assessment Required, in the county in which the Property is located. The Notice of Assessment sets forth the annual Principal, interest and administrative expense fees.

#### **4.13 PACE Assessment Added to Property Taxes**

The Notice of Assessment and Assessment will be recorded in the county and the Annual Assessment Obligation will appear on the property tax bill for the Property for the duration of Annual Assessment Obligation over the financing Term specified in the Assessment Contract. Payment will be billed and paid as a line item on the property tax bill.

As with other property taxes, failure to pay the Annual Assessment Obligation each year of the Term, or until the Assessment is released, will result in penalties and interest, and may result in foreclosure and sale of the Property by the CSCDA or the county tax collector.

Under California law, property taxes and assessments typically remain with the Property when it is sold. **However, if the Property Owner attempts to refinance the Property once the Assessment lien is recorded on the Property, the lender may require the Property Owner to pay off the entirety of the Assessment prior to granting approval for refinancing.** Similarly, in the event the Property is sold, the purchaser's lender may require that the Assessment be paid off in full prior to granting approval of a new mortgage to the purchaser of the Property.

If the property taxes for the property are paid via an impound account, the Property Owner should contact the lender to increase the monthly impound payments by an amount equal to 1/12th of the Annual Assessment Obligation. Estimated monthly Assessment payment amounts are specified in the Assessment Contract.

## 5. ADDITIONAL PROGRAM TERMS AND DISCLOSURES

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### 5.1 Property Owner Agrees to All Program Terms

By execution of the Assessment Contract and related Financing Documents, Property Owners certify that they have read, understand and agree to the terms of the Program as set forth in the Assessment Contract, Financing Documents and Handbook. Property Owners also certify that they, the Property and the products meet all Program eligibility requirements.

### 5.2 Authority to Install Products

By signing the Financing Documents, Property Owners represent that they have the authority to authorize the installment of the approved Eligible Products on the Property designated in the Assessment Contract.

### 5.3 No Endorsement by FortiFi

All Property Owners acknowledge and agree that FortiFi's review of the proposed products and approval of Program funding shall not be construed as confirming or endorsing the qualifications of any Property Owner, Eligible Contractor, or any other person involved with the products, endorsing the design of the products, or warranting the installation, workmanship, economic value, energy savings, safety, durability or reliability of the products.

### 5.4 Property Owner is Responsible for Products, Permits and Inspections

Property Owners are solely responsible for the products installed on the Property, including the selection of the Eligible Contractor, energy auditor or equipment. Any performance related issues are the responsibility of the Property Owner and/or the Eligible Contractor(s). Neither FortiFi nor the CSCDA are responsible for the performance of the products. Completion of all city and county permitting and inspections is the responsibility of the Property Owner and the Eligible Contractor. The CSCDA and FortiFi are not responsible in any regard for any permits related to the Project. The CSCDA and FortiFi disclaim any express or implied warranty of merchantability or fitness for a particular purpose in connection with the Property Owner's purchase or installation of any product under the Program.

### 5.5 Right to Inspect Installation of Eligible Improvements

Property Owners agree that FortiFi may perform, or have third-party vendors perform independent on-site inspections of any Eligible Improvements financed through the Program. If a third-party inspection is conducted, FortiFi will schedule such inspection with the Property Owner at a mutually convenient date/time.

### 5.6 Tax Matters

The CSCDA and FortiFi do not offer any tax advice or related services. Property Owners should consult with a qualified tax advisor or accountant on any tax matters related to the Assessment or PACE financing.

## 5.7 Releases and Indemnification

By submitting an Application, Property Owners acknowledge that the CSCDA has formed the Program solely for the purpose of financing Eligible Improvements and that the CSCDA and FortiFi have no responsibility of any kind for, and have no liability arising out of the installation, operation, financing, refinancing or maintenance of the Eligible Improvements or any other products. Participation in the Program does not in any way obligate the CSCDA or FortiFi to guarantee or ensure the performance of the Eligible Improvements. Property Owners agree and acknowledge that they are responsible for payment of the Total Assessment Obligations regardless of whether the products are properly installed or operate as expected or intended. Property Owners also agree to release, defend, indemnify and hold harmless the CSCDA, FortiFi and their officers, directors, employees, affiliates and agents, from and against any claims, actions, demands, costs, damages or lawsuits, including the payment of attorney's fees and costs of court, arising out of or in any way connected with Property Owners' participation in the Program, including, without limitation, the installation, maintenance or repair of the Eligible Installments or compliance with any applicable federal, state or local law.