



**California Home Finance Authority (CHF)
Board of Directors Meeting
Wednesday, December 10, 2014
8:30 a.m.
1215 K Street Suite 1650
Sacramento, CA 95814**

AGENDA

1. **Call to Order & Determination of Quorum**
*Chair, Supervisor Richard Forster, Amador County
Vice Chair, Supervisor Kevin Cann, Mariposa County*

2. **Approval of Minutes – November 12, 2014 Board Meeting** **Page 1**
Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise

3. **Member County Concerns**

4. **Public Testimony**
Presentation only of any matters of concern to the general public

5. **Public Hearing: Consideration of the Formation of the** **Page 5**
California Home Finance Authority Community Facilities District No. 2014-1
(Clean Energy) and Levy of a Special Tax Thereon

Conduct continued public hearing on the proposed formation of the California Home Finance Authority Community Facilities District No. 2014-1 (Clean Energy), the designation of authorized improvements and other related matters, in accordance with section 53328.1 of the Mello Roos Community Facilities Act of 1982 (Government Code section 53311 *et seq.*) as amended.

Resolution 14-07: Establishing the California Home Finance Authority Community Facilities District No 2014-1 (Clean Energy) and Providing for the Levy of a Special Tax Therein to Finance or Refinance the Acquisition, Installation, and Improvement of Energy Efficiency, Water Conservation and Renewable Energy and Electric Vehicle Charging Infrastructure Improvements Permanently Affixed to or on Real Property or in Buildings and Authorizing Filing of Validation Action – ACTION
*Greg Norton, Executive Director
Craig Ferguson, Vice President*

6. **Public Hearing: Consideration of Establishment of CHF PACE** **Page 83**
Program Conduct a public hearing on the proposed establishment of a property-

assessed clean energy (PACE) program to authorize voluntary contractual assessments to finance the installation of certain authorized improvements, pursuant to the authority Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code.

Resolution 14-08: Confirming the Report Relating to the Financing of the Installation of Distributed Generation Renewable Energy Sources, Energy Efficiency and Water Efficiency Improvements and Electric Vehicle Charging Infrastructure and Approving and Ordering Other Related Matters - **ACTION**

Resolution 14-09: Authorizing Issuance of the Limited Obligation Improvement Bonds, Approving and Directing the Execution of Related Documents and Approving Related Actions – **ACTION**

Greg Norton, Executive Director

Craig Ferguson, Vice President

7. **Investment Policy Renewal 2015 – ACTION** **Page 291**
Greg Norton, Executive Director
Patricia Megason, Deputy Director
Lisa McCargar, Chief Financial Officer
8. **CHF Joint Powers Authority Revisions Update**
Greg Norton
9. **CHF 2015 Proposed Budget - ACTION** **Page 299**
Greg Norton
Patricia Megason
Lisa McCargar
10. **Multi-Family Program Investment – ACTION** **Page 307**
Craig Ferguson, Vice President
Greg Norton
11. **PACE Course of Construction Financing Commitment - ACTION** **Page 309**
Greg Norton
Craig Ferguson
12. **Program Updates**
Greg Norton
Craig Ferguson

13. **Adjournment**

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, please call Sarah Boinik at (916) 447-4806 at least 48 hours before the meeting. Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment, please let staff know if you would like to speak on a specific agenda item.



**California Home Finance Authority
 Board of Directors Meeting
 November 12, 2014
 8:30 a.m.
 1215 K Street, Suite 1650
 Sacramento CA 95814
 916-447-4806**

MINUTES

Call to Order & Determination of Quorum

Chair, Supervisor Richard Forster, Amador County, called the meeting to order at 8:32 a.m. A quorum was determined at that time. Those present:

<u>Supervisor</u>	<u>County</u>
Mary Rawson	Alpine
Richard Forster	Amador
Merita Callaway	Calaveras
John Viegas	Glenn
Rex Bohn	Humboldt
David Rogers	Madera
Geri Byrne	Modoc
Nate Beason	Nevada
Jim Holmes	Placer
Anthony Botelho	San Benito
Les Baugh	Shasta
Lee Adams	Sierra
Michael Kobseff	Siskiyou
Larry Munger	Sutter
Bob Williams	Tehama
Randy Harvelt	Tuolumne
Roger Abe	Yuba

Absent

Doug Teeter	Butte
Kim Dolbow Vann	Colusa
Dave Finigan	Del Norte
Brian Veerkamp	El Dorado
Michael Kelley	Imperial
Linda Arcularius	Inyo
Anthony Farrington	Lake
Aaron Albaugh	Lassen
Kevin Cann	Mariposa

John Pedrozo	Merced
Carre Brown	Mendocino
Tim Fesko	Mono
Diane Dillon	Napa
Terry Swofford	Plumas
Debra Chapman	Trinity
Jim Provenza	Yolo

Others in Attendance

Iris Yang, Best Best & Krieger LLP

Staff in Attendance

Greg Norton, Executive Director
Craig Ferguson, Vice President
Sarah Bolnik, Office Manager RCRC

Approval of Minutes – September 26, 2014 Board Meeting

Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise

Supervisor Nate Beason, Nevada County noted on page 4. Under Resolution 14-06 the word *required* is used twice in the sentence and should be removed; *Craig Ferguson, Vice President, reported on Resolution 14-06 which allows CHF to make an application(s) to the California Debt Limit Allocation Committee (CDLAC), and in turn fund the CDLAC required deposit required.* Staff will make the changes.

Supervisor Randy Hanvelt, Tuolumne County, motioned to approve the minutes of the September 26, 2014 CHF Board of Directors Meeting with the discussed edits. Supervisor Rex Bohn, Humboldt County, seconded the motion. Motion unanimously passed.

Abstaining:

Supervisor Jim Holmes, Placer County; Supervisor Les Baugh, Shasta County; Supervisor Michael Kobseff, Siskiyou County

Member County Concerns

None

Public Testimony

None

Public Hearing: Consideration of the Formation of the California Home Finance Authority (CHF) Community Facilities District No. 2014-1 (Clean Energy) and the Levy of a Special Tax Therein

Greg Norton, Executive Director, discussed the intent and purpose of forming a community facilities district, to levy a special tax to finance energy efficiency, renewable energy, and water conservation on residential, commercial and industrial properties.

The CHF Board of Directors opened the public hearing, and proceeded to continue the public hearing to December 10, 2014 at 8:30 a.m.

Staff Recommendation:

Staff recommends that the CHF Board of Directors open the public hearing as noticed, receive any testimony or comments from the public, and then continue the public hearing to December 10, 2014 at 8:30 a.m.

Supervisor Les Baugh, Shasta County, motioned to approve staff recommendations as presented. Supervisor Michael Kobseff, Siskiyou County, seconded the motion. Motion passed.

Program Update

Craig Ferguson, Vice President, provided an update on the existing Housing and Energy Retrofit Programs

Adjournment

Supervisor Richard Forster, Amador County, adjourned the meeting of the CHF Board of Directors at 8:38 a.m.



To: CHF Board of Directors
From: Greg Norton, Executive Director
Craig Ferguson, Vice President
Date: December 2, 2014
Re: **Public Hearing:** Consideration of the Formation of the California Home Finance Authority Community Facilities District No. 2014-1 (Clean Energy) and Levy of a Special Tax Thereon. Continued Public Hearing:

Resolution 14-07: Establishing the California Home Finance Authority Community Facilities District No 2014-1 (Clean Energy) and Providing for the Levy of a Special Tax Therein to Finance or Refinance the Acquisition, Installation, and Improvement of Energy Efficiency, Water Conservation, Renewable Energy and Electric Vehicle Charging Infrastructure Improvements Permanently Affixed to or on Real Property or in Buildings and Authorizing Filing of Validation Action - **ACTION**

Background

SB 555, enacted in 2011, allows cities, counties and joint powers authorities such as CHF, to establish a community facilities district to assist property owners with the costs of acquiring, installing and improving energy efficiency, water conservation and renewable energy improvements permanently to or on real property and in buildings, whether such real property or buildings are privately or publicly owned.

SB 555 amended the Mello-Roos Community Facilities Act, set forth in sections 53311 through 53368.3 of the California Government Code (the "Act"), to allow for the establishment of a district whose purpose is to finance or refinance defined Authorized Improvements. The district, proposed to be named the California Home Finance Authority Community Facilities District No. 2014-1, (the "District"). The District will include any unincorporated or incorporated land within counties, and cities within those counties, that are current or future members or associate members of CHF and that elect to participate in the program (Proposed Map is included as part of Resolution 2014-07, Attachment A). The District would be authorized to levy a special tax on parcels within the District's boundaries only if the affected property owner or owners consented to be annexed into the District and entered into a Unanimous Approval Agreement.

On September 26, 2014, the Board adopted Resolution No. 2014-04 (the "Resolution of Intention"), declaring its intention to establish Community Facilities District No. 2014-1 (Clean Energy), and setting a public hearing date of November 12, 2014 on the

proposed formation. The public hearing was opened on that date, and then continued to December 10, 2014. As required by law, notices of the public hearing were published in all California counties in accordance with Section 6061 of the Government Code, and publication was completed at least seven days before November 12, 2014.

As stated in the Resolution of Intention, the attached Program Hearing Report (Attachment B), along with the associated Handbooks (Residential-Attachment C) and (Commercial-Attachment D) has been prepared and addresses matters including policies regarding participating in the District, a list of the Authorized Improvements that can be financed through the District, including policies concerning participation in the District, a form of Unanimous Approval Agreement, and the financial strategy of the District. The attached proposed Program Handbooks are for property owners who wish to participate in the Program.

Entering into a Unanimous Approval Agreement allows a lien to be recorded on the property that secures the payment of the special taxes levied in accordance with the Agreement. The amount of the special tax will be based upon the principal amount being financed, capitalized interest, interest on the principal and ongoing administrative fees.

The Authority proposes to contract with Ygrene Energy Fund CA LLC, to serve as the Program Administrator and operate the program. The Authority will assign the special tax revenues to Ygrene or a trustee, as directed by Ygrene. Ygrene may enter into agreements with local and/or regional banks and other funding sources to provide interim and long-term financing for the Program.

The District financing addresses two major financial hurdles to capital-intensive energy efficiency and renewable energy projects: the high up-front cost and the potential that those costs will not be recovered upon sale of the property. With District financing, there is little or no up-front cost to the property owner, and if the property is sold before the investors are repaid, the new owner will, unless a prepayment is arranged, assume responsibility for the remaining special taxes as part of the property's annual tax bill. By overcoming these barriers, District financing presents an opportunity to stimulate construction and building activity, reduce peak energy demand, increase property values, and generate savings on utility bills for property owners.

Establishing the District requires the performance of a civil validation action under California Government Code, seeking a judgment of the Sacramento County Superior Court that the special tax, contracts, obligations or evidences of indebtedness arising out of the establishment and implementation of the District, etc., are on all respects legal, valid and bonding. The Resolution authorizes Best Best & Krieger to file and prosecute the validation action on behalf of CHF.

Staff Recommendation

Staff recommends that the CHF Board of Directors approve the following:

1. Review and adopt Resolution 2014-07 (Attachment A), which among other necessary actions and authorizations is:

- a. Establishing the California Home Finance Authority Community Facilities District No 2014-1 (Clean Energy) and Providing for the Levy of a Special Tax Therein to Finance or Refinance the Acquisition, Installation, and Improvement of Energy Efficiency, Water Conservation, Renewable Energy Improvements and Electric Vehicle Charging Infrastructure Improvements Permanently Affixed to or on Real Property or in Buildings;
 - b. Authorizing Filing of a Validation Action;
 - c. Approving necessary documents in substantially said form; and
 - d. Designating the Executive Director, or designee, to perform or cause to be performed various actions including required changes to documents and the execution of said documents; and
2. Authorize the Authority's Executive Director to establish the CHF Community Facilities District No. 2014-1 (Clean Energy), including the signing of necessary agreements and other documents, as well as well as other actions necessary to establish and implement the District.

Attachment(s)

- A. Resolution 14-07
- B. Hearing Report
- C. Residential Program Handbook
- D. Commercial Program Handbook

CALIFORNIA HOME FINANCE AUTHORITY

RESOLUTION NO. 2014-07

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CALIFORNIA HOME FINANCE AUTHORITY ESTABLISHING THE CALIFORNIA HOME FINANCE AUTHORITY (“AUTHORITY”) COMMUNITY FACILITIES DISTRICT NO. 2014-1 (CLEAN ENERGY) AND PROVIDING FOR THE LEVY OF A SPECIAL TAX THEREIN TO FINANCE OR REFINANCE THE ACQUISITION, INSTALLATION, AND IMPROVEMENT OF ENERGY EFFICIENCY, WATER CONSERVATION, RENEWABLE ENERGY AND ELECTRIC VEHICLE CHARGING INFRASTRUCTURE IMPROVEMENTS PERMANENTLY AFFIXED TO OR ON REAL PROPERTY OR IN BUILDINGS AND AUTHORIZING FILING OF VALIDATION ACTION

WHEREAS, on September 26, 2014, the Board of Directors (the “Board”) of the California Home Finance Authority (“CHF”) duly adopted Resolution No. 2014-04 (the “Resolution of Intention”) declaring its intent to establish a community facilities district within the jurisdictional boundaries of the Authority’s current and future full or associate members in accordance with the Mello-Roos Community Facilities Act, set forth in sections 53311 through 53368.3 of the California Government Code (the “Act”) and particularly in accordance with sections 53313.5(l) and 53328.1(a) (the “District”). The District is to be named the California Home Finance Authority (“CHF”) Community Facilities District No. 2014-1 (Clean Energy) and its purpose is to finance or refinance (including the payment of interest) the acquisition, installation, and improvement of energy efficiency, water conservation, renewable energy and electric vehicle charging infrastructure improvements permanently affixed to private or publicly-owned real property (the “Authorized Improvements”); reference is made to the Resolution of Intention for further particulars and for additional defined terms; and

WHEREAS, in the Resolution of Intention, the Board approved the boundary map showing the territory proposed for annexation to the District in the future (the “Territory”), a copy of which has been on file with the Secretary of the Authority (the “Secretary”), and a reduced copy of which was attached to the Resolution of Intention as Exhibit A; and

WHEREAS, the Resolution of Intention fixed 8:30 a.m. on Wednesday, November 12, 2014, in the regular meeting place of the Board of the Authority, 1215 K Street, Suite 1650, Sacramento, CA 95814 as the time and place for the Board to hold a public hearing (the “Public Hearing”) to consider the establishment of the District, the specification of Authorized Improvements, the extent of the Territory, the establishment of the appropriation limit for the District, and all other matters set forth in the Resolution of Intention; and

WHEREAS, on Wednesday, November 12, 2014, the Board continued the Public Hearing to 8:30 a.m. on Wednesday, December 10, 2013, in the regular meeting place of the Board, 1215 K Street, Suite 1650, Sacramento, CA 95814 (the "Continued Public Hearing"); and

WHEREAS, the Authority's Executive Director has submitted a report to the office of the Secretary of the Board (the "Secretary") as directed by the Resolution of Intention describing: the Authorized Improvements; a representative listing of incidental expenses; a recommended form of Unanimous Approval Agreement; recommendations for appropriate procedures and criteria for processing and evaluating applications for participation and inclusion in the Community Facilities District from the owners of property within the Territory; and an estimate of the related incidental expenses (the "Hearing Report"), which Hearing Report (Exhibit B) and associated Residential (Exhibit C) and Commercial Handbooks (Exhibit D) is incorporated herein by this reference and made a part of the record of the Continued Public Hearing; and

WHEREAS, at or shortly after the time set for the Continued Public Hearing, the Board conducted the Continued Public Hearing and all persons interested, including all taxpayers, property owners and registered voters within the boundaries of the Territory, were allowed to submit written protests to any matter set forth in the Resolution of Intention and were permitted to withdraw their protests before the close of the Continued Public Hearing; and

WHEREAS, there is on file with the Secretary proofs of publication of the Notice of Public Hearing in the newspapers listed in the attached Exhibit A;

WHEREAS, the Board also desires to authorize the Authority's special counsel, Best Best & Krieger LLP, to file a validation action on behalf of the Authority to seek a judgment of the Sacramento County Superior Court that the special tax, contracts, obligations or evidences of indebtedness arising out of the establishment and implementation of the District, and all matters, agreements and procedures related thereto, are in all respects legal, valid, and binding; and

WHEREAS, the Board is fully advised in this matter;

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF THE CALIFORNIA HOME FINANCE AUTHORITY, AS FOLLOWS:

Section 1. The above recitals are true and correct, and the Board so finds and determines.

Section 2. Except to the extent it is inconsistent with this Resolution, the Resolution of Intention is reaffirmed, and its provisions and findings are incorporated herein by this reference.

Section 3. The Board accepts the proofs of publication of the Notice of Public Hearing (Exhibit A) and finds, based thereon, that proper notice of the Public Hearing and the Continued Public Hearing has been given in accordance with the Act and that the Continued Public Hearing was conducted with proper and legal notice in all respects.

Section 4. The Board finds and determines that, at the close of the Continued Public Hearing, the written protests, if any, to any of the matters set forth in the Resolution of Intention – including the establishment of the District, the levy of the special tax and the incurrence of debt (as defined in the Act), the extent of the Territory, the acquisition, construction, or installation of any of the Authorized Improvements, and the establishment of the appropriations limit for the District – were submitted by less than 50 percent of the registered voters residing within the Territory and by the owners of less than one-half of the area of land in the Territory. Thus, the Board finds that it is not precluded by the Act from proceeding further in this matter, and it determines and orders that all protests to the matters set forth in the Resolution of Intention are hereby overruled.

Section 5. The Board hereby establishes the District in accordance with the Act and particularly in accordance with sections 53313.5(l) and 53328.1(a).

Section 6. The Board orders that (a) a parcel within the Territory may be annexed to the Community Facilities District and subject to the special tax only (i) if the city or county within which the parcel is located has consented, by the adoption of a resolution by the applicable city council or county board of supervisors, to the inclusion of parcels within its boundaries in the District and (ii) with the unanimous written approval of the owner or owners of the parcel when it is annexed (the “Unanimous Approval Agreement”), which, as provided in section 53329.6 of the Act, shall constitute the election required by the California Constitution; (b) that the rate of special tax for each parcel will be established in an amount required to finance or refinance (including the payment of interest and the funding and replenishment of any reserve fund for debt) the Authorized Improvements approved for the parcel and to pay the parcel’s appropriate share of the District’s incidental, financing and administrative expenses; (c) that the maximum annual rate, method of apportionment and manner of collection of the special tax must be specified in the Unanimous Approval Agreement for each parcel; (d) that the maximum principal amount of the debt to be incurred to finance or refinance the Authorized Improvements for the parcel will be the amount approved in the Unanimous Approval Agreement for each parcel; and (e) that the special-tax revenues may also be used to repay the appropriate portion of any funds that CHF advances for the District and to repay under any agreement (which will not constitute a debt or liability of the Authority) any advances of funds or reimbursement for the lesser of the value or cost of work in-kind provided by any person for the purposes of the District. The financing or refinancing of Authorized Improvements may be in the form of paying for the ownership or lease of the Authorized Improvements or paying or preparing for the energy or other output of the Authorized Improvements, which Authorized Improvements may be owned for tax purposes or otherwise by a third party.

Section 7. Once a Unanimous Approval Agreement for one or more parcels has been signed by all of the parcel owners and by the Authority, Authority staff are authorized and directed to record or cause to be recorded a Notice of Special Tax Lien against the parcels with the County Recorder of the county in which the parcel is located, in accordance with Section 3114.5 of the Streets and Highways Code. Upon recordation of the Notice of Special Tax lien, a continuing lien to secure each levy of the special tax will attach to the affected parcel(s). The lien will continue in force until the special-tax obligation is prepaid and permanently satisfied and the lien cancelled in accordance with law or until levy and collection of the tax ceases.

Section 8. The special tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as are provided for ad valorem taxes collected on the secured property-tax roll of the county, except that the Board hereby reserves the right to enforce the collection of delinquent special taxes through judicial foreclosure, including through the assignment of the ability to pursue judicial foreclosure as provided in the Act.

Section 9. The Authority's Executive Director, 1215 K Street, Suite 1650, Sacramento, CA 95814 or designee of the Authority Executive Director, is designated to prepare or cause to be prepared annually the current roll of special-tax levy obligations for each parcel within the District that is subject to the special tax and to estimate future special tax levies.

Section 10. The Board hereby approves the form of Unanimous Approval Agreement contained in the Hearing Report and directs its use with such changes as the Authority's Executive Director may approve after consultation with special counsel. The Authority Executive Director or such officer's designee is hereby authorized to execute one or more Unanimous Approval Agreements from time to time in substantially said form with such changes thereto as the Authority Executive Director or such officer's designee may approve after consultation with special counsel, with any material changes to be approved by special counsel and the Authority's Executive Director.

Section 11. The Board hereby approves the form of Assignment Agreement contained in the Hearing Report and directs its use with such changes as the Authority Executive Director may approve after consultation with special counsel. The CHF Executive Director or such officer's designee is hereby authorized to execute one or more Assignment Agreements from time to time in substantially said form with such changes thereto as the CHF Executive Director or such officer's designee may approve after consultation with special counsel, with any material changes to be approved by special counsel and the Authority's Executive Director.

Section 12. In accordance with Sections 53325.7 and 53328.1(a)(3) of the Act, the Board hereby establishes the appropriations limit (as defined by Section 8(h) of article XIII B of the California Constitution) for the District for the 2014-15 fiscal year and for subsequent fiscal years as the sum of the amounts stated as the appropriations limit in each approved Unanimous Approval Agreement. The amount contributing toward the appropriations limit of the District in each Unanimous Approval Agreement will be subject to adjustment following the fiscal year in which the Unanimous Approval Agreement is fully subscribed, as provided in Section 53325.7 of the Act.

Section 13. The authorization to finance or refinance the acquisition, construction, and installation of Authorized Improvements covers all costs incidental to the acquisition, construction, and installation, including the costs of planning and design, the costs of any environmental evaluations, all costs associated with establishing the District and financing the Authorized Improvements, the costs of determining the amount of special taxes, the costs of collecting or paying the special taxes, and cost otherwise incurred to carry out the authorized purposes of the District.

Section 14. The Board finds and determines that all proceedings it has conducted and approved with respect to the establishment of the District, up to and including the adoption of this resolution, are valid and in conformity with the Act. As provided in the Act, this determination is final and conclusive for all purposes and is binding upon all persons.

Section 15. Pursuant to California Code of Regulations Section 15378(b)(4), the Board of Directors hereby finds that the approval of the District is not a "project" subject to the requirements of the California Environmental Quality Act (California Public Resources Code Section 21000 and following) because the approval of the District is the creation of a government funding mechanism or other government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. If deemed necessary by the Executive Director, the Secretary is hereby authorized to file, or cause to be filed, a Notice of Exemption pursuant to the State CEQA Guidelines with the County Clerk of each County in California.

Section 16. The Authority's special counsel, Best Best & Krieger LLP is hereby authorized and directed to file and prosecute on the Authority's behalf, against all persons interested in the matter, a civil validation action under California Government Code sections 53311 and 53328.1(c) and California Code of Civil Procedure section 860 *et seq.*, seeking a judgment of the Sacramento County Superior Court that the special tax, contracts, obligations, or evidences of indebtedness arising out of the establishment and implementation of the District, and all matters, agreements, and procedures related thereto, are in all respects legal, valid and binding.

Section 16. This resolution shall take effect immediately upon its passage and adoption.

ON A MOTION BY

AYES:

NOES:

ABSENT:

ABSTAIN:

Chair of the Board

ATTEST: _____

CHF Secretary

EXHIBIT A
 NOTICE OF PUBLIC HEARING
 PROOFS OF PUBLICATION

Alameda	Inter-City Express
Alpine	Tahoe Daily Tribune
Amador	Amador Ledger Dispatch
Butte	Chico Enterprise Record
Calaveras	Calaveras Enterprise
Colusa	Colusa Sun Herald
Contra Costa	Contra Costa Times
Del Norte	The Triplicate
El Dorado	Mountain Democrat
Fresno	The Business Journal
Glenn	Sacramento Valley Mirror
Humboldt	Eureka Times-Standard
Imperial	Imperial Valley Press
Inyo	The Inyo Register
Kern	The Bakersfield Californian
Kings	The Hanford Sentinel
Lake	Lake County Record-Bee
Lassen	Lassen County Times
Los Angeles	Los Angeles Daily Journal
Madera	Madera Tribune
Marin	Marin Independent Journal
Mariposa	Mariposa Gazette & Miner
Mendocino	Ukiah Daily Journal
Merced	Merced Sun-Star
Modoc	Modoc County Record
Mono	Mammoth Times
Monterey	The Salinas Californian
Napa	Napa Valley Register
Nevada	The Union
Orange	Orange County Reporter
Placer	Roseville Press Tribune
	Feather River Bulletin; Indian Valley Record; Chester Progressive; Portola Reporter
Plumas	Business Journal
Riverside	The Daily Recorder
Sacramento	Free Lance
San Benito	
San Bernardino	San Bernardino American

San Diego	San Diego Commerce
San Francisco	San Francisco Daily Journal
San Joaquin	The Record
San Luis	
Obispo	The Tribune
San Mateo	Redwood City Tribune
Santa Barbara	Santa Barbara News Press
Santa Clara	San Jose Post-Record
Santa Cruz	Santa Cruz Sentinel
Shasta	Record Searchlight
Sierra	Mountain Messenger
Siskiyou	Siskiyou Daily News
Solano	Daily Republic
Sonoma	The Press Democrat
Stanislaus	The Modesto Bee
Sutter	The Appeal-Democrat
Tehama	Red Bluff Daily News
Trinity	The Trinity Journal
Tulare	Visalia Times-Delta
Tuolumne	The Union Democrat
Ventura	Ventura County Star
Yolo	Davis Enterprise
Yuba	The Appeal-Democrat

**CALIFORNIA CLEAN ENERGY PROGRAM
CALIFORNIA HOME FINANCE AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

HEARING REPORT

Contents

1. Introduction
2. Hearing Report
3. Program Requirements & Parameters
4. Authorized Improvements
5. The Financial Strategy
6. Changes to the Report

Appendix A – Map of the Program Area

Appendix B – Form of Unanimous Approval Agreement

Exhibit A to Unanimous Approval Agreement – Notice of Special Tax Lien

Appendix C – Master Assignment Agreement

A Residential Program Handbook and a Commercial Program Handbook provide further details.

1. Introduction

Senate Bill 555 (Statutes of 2011, Chapter 493) amended the Mello-Roos Community Facilities Act of 1982 (Government Code Sections 53311 and following) (the "Act") to enable public agencies in California to establish voluntary special-tax programs to reduce the upfront costs associated with energy-efficiency, renewable-energy, and water-conservation projects that are affixed to real property and proposed by property owners. The California Legislature declared that programs that authorize public agencies to finance the installation of such improvements that are permanently affixed to real property would serve a public purpose.

California Home Finance Authority ("the Authority") intends to use this financing authority to establish Community Facilities District No. 2014-1 (Clean Energy) (the "District"). The Authority will use the District to implement its California Clean Energy Program (the "Program"). The District and Program were formed and will be judicially validated to serve all properties legally permitted pursuant to Government Code Section 53313.5(l). In this report, eligible energy-efficiency and renewable-energy improvements and water-conservation measures are collectively referred to as "Authorized Improvements."

The Program is being instituted to serve private properties within California. The Program will be offered in both incorporated and unincorporated jurisdictions that are members or associate members of the Authority, or that become members or associate members in the future, consistent with terms and conditions adopted by the Authority. Any incorporated territory authorizing the Program must agree to comply with all terms and conditions of the Program as adopted from time to time.

Property owner participation in the Program is purely voluntary and requires the full consent of all of the owners of any property for which Program financing will be used to install Authorized Improvements. As with other land-secured public financing programs (such as utility or road maintenance assessment districts), property owners repay the costs advanced by the Program through special taxes that amortize the financing on the property. Special taxes are payable, along with ad valorem and other property taxes, in semi-annual installments that appear as a separate line item on property tax bills.

Program Goals: The Authority intends that the Program will allow property owners to make principled investments in their homes and businesses, as well as in their long-term economic health and in the global environment. At the same time, this Program can help jurisdictions throughout California meet State mandated goals for dealing with climate change and drought.

Program Benefits: The Program provides a strategic opportunity for cities and counties to achieve significant public benefits in the areas of economic development and quality of life. By letting property owners easily finance energy and water conservation measures the Program promotes reduced consumption. This translates into direct consumer savings and an increase in discretionary income. The multiplier effect attributable to such savings can benefit businesses and households throughout California, encouraging job growth and bolstering local-government revenues. The most recent ECONorthwest study shows that investments in energy efficiency lead to direct job growth, estimating up to 60 new jobs for every \$4 million invested. Improvements to the building stock as a result of Program financing enhance occupant comfort and safety, promote public health and increase employee productivity. Water conservation projects increase the supply and quality of the State's water resources and protect recreational and life-style access.

Program Administration: The Jurisdiction is contracting with Ygrene Energy Fund (the "Program Administrator") to operate and fund the Program. The Authority's Executive Director or designee is authorized to enter into financing agreements ("UAA") on behalf of the Authority. The Program Administrator will oversee the staff, contractors and organizations assisting with Program implementation.

2. Hearing Report

The Authority stated its intention to establish the California Clean Energy Program on September 26, 2014 by adopting its Resolution No. 2014-04 (the "ROI"). The Authority directed preparation of this Hearing Report (the "Report") to include the following:

- A map showing the boundaries of the territory within which the Program intends to offer voluntary special tax financing to private property owners (Exhibit A).
- Policies concerning participation in the Program and the maximum aggregate dollar amount of Authorized Improvements that may be financed under the Program.
- Identification of the Authorized Improvements.
- Information on the Authority's and the Program Administrator's incidental, financing, and administrative costs, and the cost of placing special taxes on the tax roll.
- A plan for raising capital required to pay for work performed pursuant to special taxes.
- A draft Unanimous Approval Agreement (UAA) that includes information defining the Jurisdiction official authorized to enter into UAAs with participating property owners (Appendix B).
- A draft Notice of Special Tax Lien (Exhibit A to the Unanimous Approval Agreement).

The Report is the guiding document for the Program and fulfills the requirements of Sections 5898.22 and 5898.23 of the California Streets and Highways Code. The Program is offered to property owners in Cities and Counties throughout the State of California that are members or associate members of the Authority, or that become members or associate members of the Authority, and that elect to make the Program available to their constituents by adopting a resolution that authorizes Ygrene Energy Fund CA, LLC ("Program Administrator") to operate the Program on behalf of the Authority within their respective boundaries. To provide additional information for property owners and other Program stakeholders, the Program Administrator also offers supplemental handbooks ("Program Handbook(s)") for the residential and commercial sections of the Program.

3. Program Requirements & Parameters

Boundaries of Program Area

A map (Exhibit A) showing the prospective boundaries within which Program financing may be offered is attached. The governing bodies of counties within the prospective boundaries may allow citizens in the unincorporated areas of the County to participate in Program financing by passing a resolution annexing into the District. Incorporated cities must adopt similar resolutions to enable their residents to participate. Each owner intending to secure Program financing for their property must complete an application, pay the application fee and secure the signatures of all owners of record on the UAA.

Eligible Property Owners and Eligible Properties

Property owners eligible to participate in the Program include, but are not necessarily limited to, individuals, associations, business entities, and cooperatives. For financing to be approved, property owners must meet eligibility and underwriting criteria established for the Program. Details of these requirements are provided in the Program Handbook (available from the Program Administrator) and on-line. Notwithstanding anything to the contrary in this Report or in any Program Handbook, the Authority and the Program Administrator will implement adequate safeguards to ensure compliance with Section 5898.15 of the Act.

Authorized Improvements

The Program enables owners of qualified property within the District boundaries to finance a wide range of Authorized Improvements consistent with the following provisions:

- The Program provides financing for Authorized Improvements that are permanently affixed to real property.
- Program financing may be used for direct purchase of equipment, installation and services, leases and power purchase agreements.
- Program financing is available for retrofits that replace outdated or inefficient equipment, or to install new equipment.
- The Program Administrator certifies contractors for participation in the Program (each, a "Certified Contractor") and requires that they meet Program standards.

Eligible Project Costs and Administrative Costs

Eligible Project Costs.

- Program financing may be used to cover the actual cost of Authorized Improvements including charges for equipment, materials, supplies, and installation.
- Installation costs may include, but are not necessarily limited to, construction labor, energy and water-survey consultants and auditors, design/engineering/architecture, and program soft costs such as appraisals, permits and inspection fees.
- The Program Administrator must pre-approve any payments for labor provided by property owners on Authorized Improvements.
- Eligible costs do not include general remodeling or property repairs that are not directly required to enable installation of Authorized Improvements.

Administrative Costs.

- The intent of the Program is to minimize initial out of pocket costs for property owners while also supporting Program sustainability. Accordingly, the Program Administrator may impose fees and other charges in accordance with schedules posted from time to time on the Program website and in Program materials. With the exception of the application fee, all Program fees may be included in the financing and will be added to the disbursement amount at the time of closing unless the property owner elects to pay them directly.

Duration of Special Tax

Program financing is available for terms up to 30-years based on the average weighted useful lives of the installed Authorized Improvements. Most projects are financed for 20 years, but the Program Administrator offers alternative amortization schedules to accommodate property owner preferences.

Program Interest Rate

The Program Administrator will set the interest rate for the financing at the time the property owner enters into a UAA. The interest rate will be fixed at that point for the rate-lock period ("Rate Lock") defined in the UAA and will not change unless the property owner fails to submit a valid funding request during the Rate-Lock. The Program Administrator will make periodic changes to the Program interest rates and Rate-Lock periods in response to conditions in the financial markets. Current policies will be available from the Program Administrator and on the Program website.

Special Tax Lien

All owners of record of participating properties must sign a UAA and have their signatures either notarized or verified through a third party verification process. Execution of the UAA authorizes recording of a lien on the property that secures repayment of the special taxes levied in accordance with the agreement.

Delinquent Special Tax Collections

Delinquent special taxes will be collected using the procedures and powers authorized under California law for the collection of property taxes, and assessments. While unlikely, one remedy available to holders of beneficial interests in Program special tax liens to collect delinquent installments is accelerated judicial foreclosure of the tax lien against the delinquent property, which may be initiated following the delinquency. To minimize the possibility of delinquent special taxes the Program Administrator may implement a pooled interest reserve.

First Levy of Special Taxes

If funds are disbursed to property owners before June 30 of any year, then the first year's installment of special taxes will appear on the next tax bill. For disbursements made on or after July 1 of any year, the first year's installment of special taxes will not appear on the tax bill until the following tax year. Interest on deferred installments will be capitalized and added to the amount to be financed under the UAA or, at the election of the property owner, may be paid directly at the time of funding.

The Program Administrator may offer an option of financing additional capitalized interest to enable property owners, at their election, to extend the period during which no special taxes would appear on the property tax bill or be payable.

Reserve Fund

The amount to be financed under the UAA may include an amount to fund a reserve from which payments can be made if special tax collections are insufficient to pay debt service on bonds issued for the Program. The amount of the reserve will be specified in the UAA.

4. Authorized Improvements

There are four categories of Authorized Improvements that can be financed through the Program. A representative list of Authorized Improvements is set out in the Program Handbooks.

- **Energy Efficiency Improvements:** Energy efficiency improvements comprise a wide range of fixtures from windows and doors to attic insulation and HVAC equipment. Such measures will help reduce energy use through increased efficiency in buildings and other improved real property.
- **Renewable Energy Improvements:** Renewable energy improvements are usually solar photovoltaic installations intended to replace utility generated electrical power with renewable solar power for all or part of a property's energy needs. Also included are wind generation, solar-thermal, geothermal, and hydroelectric installations, as well as emerging technologies for renewable energy generation.
- **Water Conservation Improvements:** Water conservation improvements comprise a wide range of water saving measures designed to reduce demand or waste. Included are recirculation systems, gray-water systems, low-flow fixtures, waterless urinals, deionization equipment, and filter upgrades. In addition, numerous innovative agriculture and aquaculture installations can be financed through the Program.
- **Electric Vehicle Charging Infrastructure:** The Program can finance charging station equipment and installations whether for commercial or residential use.
- **Custom Improvements:** The Program encourages the development of innovative technologies that will diversify and expand the State's energy saving and renewable energy generation opportunities. As described above, the Program Administrator is also always looking to approve for funding creative water saving measures. Applicants who seek program financing for custom improvements should consult with the Program Administrator to determine eligibility and, if necessary, obtain directions for submitting detailed information about the proposal. The Program Administrator will approve custom improvements on a case-by-case basis.

5. The Financial Strategy

The following conditions will govern financial resources for the Program, financing of projects, recordation of special taxes and collection and distribution of special tax payments:

- The maximum aggregate principal amount of special taxes to be levied under the Program is \$2 billion, subject to increase if there is sufficient demand. It is anticipated that the Authority will issue bonds secured by special tax liens that will be purchased by the Program Administrator, or its affiliates or designees, to fund projects completed under Program UAAs.
- The Program Administrator has entered into agreements with funding sources to secure adequate interim and long-term financing for the Program, and represented to the Authority that it can provide all necessary financial resources to fund the Program.
- In the event it appears that, at any time, funding resources for the Program will be inadequate to meet demand, completed and properly executed applications for Program funding will be processed in the order in which received by the Program Administrator.
- The Executive Director of the Authority and/or designee is be authorized to enter into UAAs with participating property owners.
- The annual special taxes will be authorized in accordance with the Act and the UAAs and collected through the property-tax system in the County in which the Property is located.

- The Authority will pledge the special tax revenues to a trustee as directed by the Program Administrator as security for bonds issued to finance the Program.
- The Program Administrator will manage the Program, establish the program budget, and be responsible for funding program operations.

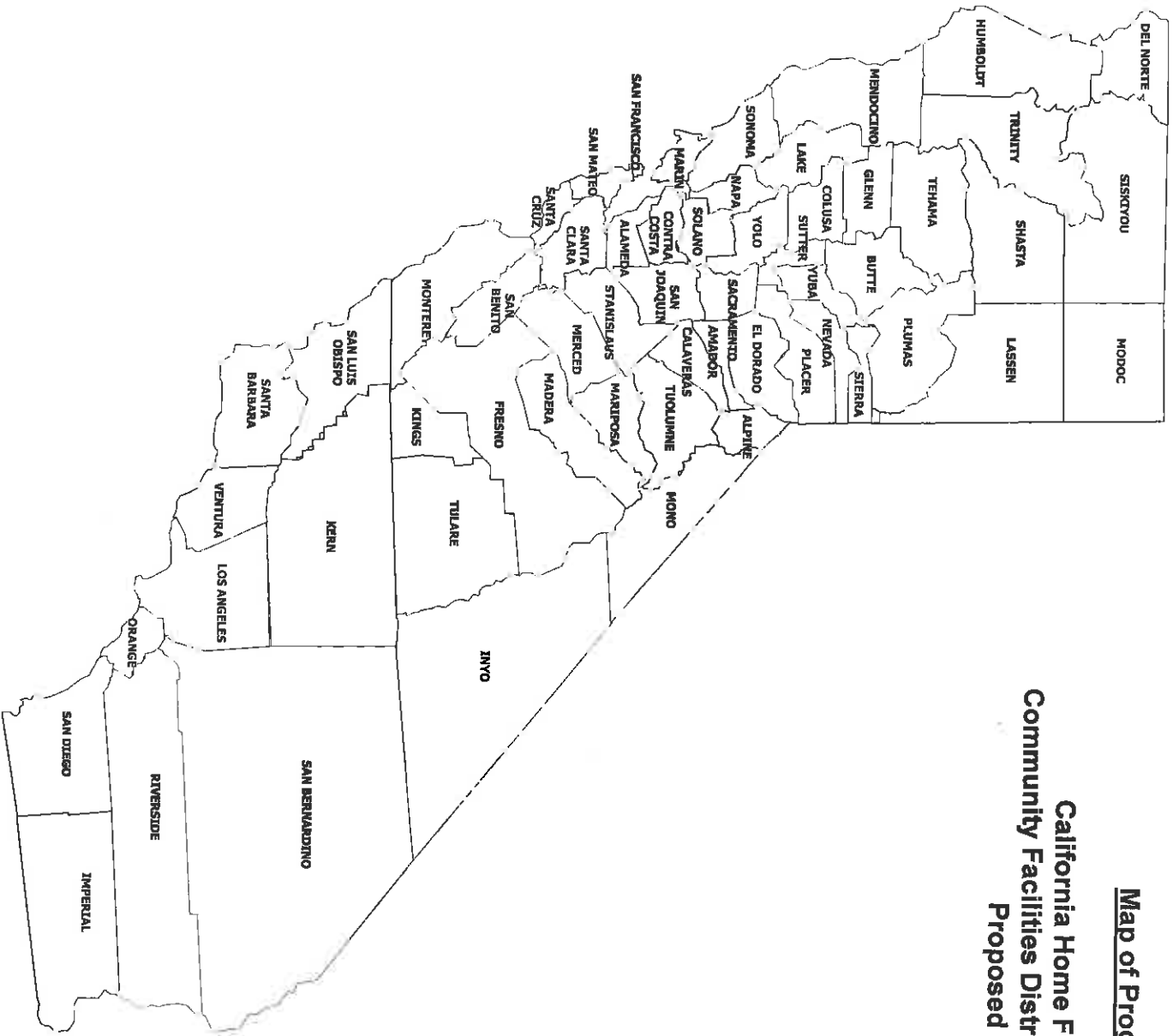
Upon execution of the UAA, the Program Administrator will record a Notice of Special Tax Lien against the participating property. This lien secures payment of the special tax for as long as it remains on the property. The UAA uses (i) a Principal Amount to be financed, (ii) Capitalized Interest due on the transaction, (iii) a Program Interest Rate charged on the principal amount, and (iv) ongoing administrative fees, to arrive at the annual special tax that appears on the tax bill.

- **Principal Amount to be financed:** The Program typically finances the costs associated with installing Authorized Improvements including, but not necessarily limited to, appraisals, energy and water-survey consultations, architectural and engineering services, permits and inspections. The financed amount will also include Program fees and capitalized interest. Principal amounts can also include lease and/or power purchase contract payments, whether up-front or incremental.
- **Capitalized Interest:** County tax collectors place special taxes on property tax rolls once each year – usually during the first week of August. As a result, when funds are disbursed at the completion of the project, the Program Administrator will add an amount to the special tax sufficient to cover the interest from the date of closing until the beginning of the tax year when the special tax is first placed on tax bills. This capitalized interest is included in the financing and amortized at the Program interest rate for the term of the loan. There will be no payments due on the financing during the capitalized interest period.
- **Program Interest Rate:** The rate of interest paid by the property owner for the financing will be fixed for the entire term. The rate offered to property owners will vary from time to time depending on the Program Administrator's cost of funds, and will be posted daily on the Program website.
- **Administrative Costs and Costs of Issuance:** Annual administrative costs may include, but are not limited to, (i) the fees charged by the County to prepare the tax roll and collect Program special taxes, (ii) financing origination costs, (iii) costs to offset capital provider, third party and operational costs associated with the provision of the financing and Program administration and (iv) reserve funds. These fees will be added to the annual special tax each year.

6. Changes to Report

The Program Administrator may make changes to this Hearing Report that the Authority and the Program Administrator reasonably determine are necessary to clarify its provisions or to effectuate the purposes of the Program. Changes to this Hearing Report may not affect the special taxes payable under the existing UAAs between property owners and CHF.

Map of Program Area
California Home Finance Authority
Community Facilities District 2014-1 (Clean Energy)
Proposed Territory





**EXHIBIT B - UNANIMOUS APPROVAL AGREEMENT AND
NOTICE OF SPECIAL TAX LIEN**

California Home Finance Authority
Community Facilities District No. 2014-1 (Clean Energy)

FORM OF UNANIMOUS APPROVAL AGREEMENT

This Unanimous Approval Agreement, dated, for purposes of identification only, is between the California Home Finance Authority, a California joint exercise of powers authority (the "Authority"), and all of the persons or entities identified below as owners of the real property identified herein (collectively, the "Owner").

Owner No. 1:

Owner No. 2:

Owner No. 3:

Owner No. 4:

Trust:

Legal Entity:

Project ID No.:

APN:

Property Street Address:

City:

State:

Zip:



OHSUSA:759436073.4

UNANIMOUS APPROVAL AGREEMENT
DOC ID:

Background

- A. In connection with its Clean Energy Program (the “**Program**”), the Authority has established its *Community Facilities District No. 2014-1 (Clean Energy)* (the “**CFD**”) for the purpose of levying special taxes on certain developed properties. The tax revenues will be used to finance, refinance, or lease the acquisition and installation on those properties of qualifying renewable-energy systems and energy- and water-efficiency improvements.
- B. The CFD was formed by the Authority under the Mello-Roos Community Facilities Act of 1982, set forth in sections 53311 through 53368.3 of the California Government Code (the “**Act**”), and particularly under sections 53313.5(l) and 53328.1, which the California Legislature added to the Act in 2011 to promote energy- and water-efficiency improvements needed to address global climate change (see Statutes 2011, chapter 493 (Senate Bill No. 555)). As the Legislature declared in the Act, “a public purpose will be served by providing the legislative body of a local agency with the authority to use special taxes pursuant to the Mello-Roos Community Facilities Act of 1982 to finance the installation of energy efficiency and renewable energy improvements that are affixed, as specified in section 660 of the Civil Code, to residential, commercial, industrial, or other property.” The purpose and method of administration of the special taxes under the CFD are further described in the CFD Hearing Report submitted to the Secretary of the Authority in conjunction with the public hearing concerning the formation of the CFD held by the Board of the Authority on December 10, 2014, as it may be amended from time to time (the “**Report**”).
- C. The Authority has contracted with Ygrene Energy Fund California, LLC (the “**Program Administrator**”) to administer the Program and to fund the acquisition and installation of qualifying renewable-energy systems and energy- and water-efficiency improvements through the CFD for the duration of the contract.
- D. To participate in the Program, a property must annex to the CFD. The Act permits annexation to the CFD only with the unanimous approval of all of the property’s owners. One purpose of this Unanimous Approval Agreement is to memorialize the unanimous approval required by the Act, but this agreement also specifies the terms under which the Property (as defined in paragraph E below) will participate in the Program.
- E. Owner holds title to the real property described above (the “**Property**”) and has submitted an application to participate in the Program (the “**Application**”). Among other things, the Application directs the Owner to review the list of renewable-energy systems, water-efficiency improvements, and energy-efficiency improvements set forth in the Report and authorized to be financed through the Program, and Owner will select from the list the systems and improvements to be installed on the Property. The selected systems and improvements, together with their acquisition and installation on the Property, are referred to as the “**Improvements**.”
- F. The Owner wishes to participate in the Program by entering into this agreement with the Authority and using the moneys advanced by the Program Administrator to finance, refinance, or lease the Improvements or to purchase energy generated by the Improvements through a power purchase contract.

With these background facts in mind, the Authority and the Owner agree as follows:

1. **Contract Documents.** This agreement and the documents attached to it as exhibits, together with the Application, are collectively referred to as the “**Contract Documents**.” All of the Owner’s declarations and warranties in the Application are incorporated into this agreement.
2. **Term.** The term of this agreement begins on the date, after the Authority and the Owner have signed this agreement, when the Notice of Special Tax Lien, substantially in the form attached to this agreement as Exhibit A (the “**Notice of Special Tax Lien**”), is recorded against the Property (the “**Effective Date**”) in the records of the office of the Clerk/Recorder for the County within which the Property is located (the “**County**”). The term of this agreement ends when the entire special-tax obligation (as described in section 7(a), below), plus any applicable penalties, costs, fees, and other charges, has been paid in full.
3. **Special Tax and Lien.**
 - (a) As of the Effective Date, the Property either has, by prior agreement, or will, by this Unanimous Approval Agreement, be annexed to the CFD for all purposes and will be subject to the annual special tax that will be levied against the Property in accordance with the terms of the CFD, this agreement, the Act, and any other applicable law and will be secured by the special-tax lien imposed by the recorded Notice of Special Tax Lien (the “**Special Tax**”). The Owner hereby consents to the levy of the Special Tax on, and to the recordation of the Notice of Special Tax Lien against, the Property.
 - (b) Failure to pay any installment of the Special Tax, like failure to pay any property taxes on the Property, will result in penalties and interest accruing on the amounts due. In addition, the Authority

or a trustee acting in the Authority's name may foreclose on the lien of any delinquent Special Tax plus penalties, interest, and costs, as set forth in section 7(d) below and as provided in the Act. In that regard, the Authority and the Owner hereby agree that the obligation to pay the Special Tax is for the purpose of repaying funds advanced under the Program to the Owner or on the Owner's behalf; that this agreement constitutes the Owner's binding obligation to pay or repay a sum of money through the payment of the Special Tax; and that this agreement thus memorializes a "debt" for purposes of sections 53317(d) and 53356.1 of the Act.

- (c) In the event the Property is subdivided while any of the Special Tax obligation remains unpaid, the Special Tax obligation will remain on all subdivided parcels that were used to calculate property value at the time of funding. If the Improvements no longer exist, the Special Tax obligation will be assigned to each of the newly created parcels on a per-acre basis, unless the Authority, in its sole discretion, determines that the Special Tax obligation should be allocated in an alternate manner.
- 4. **Disbursement Amount.** The Authority shall authorize disbursement of moneys to the Owner or on the Owner's behalf based on the amount of the actual cost of the Improvements (the "Disbursement Amount"), subject to this limit: the Disbursement Amount may not exceed \$..... (the "Maximum Disbursement"). The Program Administrator will determine the Disbursement Amount based on invoices and other relevant documents submitted by the Owner. The Owner's use of the Disbursement Amount is limited as described in section 8, below. If the actual cost of the Improvements exceeds the Maximum Disbursement, then the Owner will be solely responsible for the payment of all improvement-completion costs that exceed the Maximum Disbursement and shall complete the Improvements and fund all costs that exceed the Maximum Disbursement.
- 5. **Authorization of Special Tax, Indebtedness, and Appropriations Limit.** The Owner acknowledges that this agreement constitutes the Owner's election to annex the Property to the CFD, if the Property has not been previously annexed to the CFD, to authorize the Special Tax and the debt described in section 3(b) above, and to establish the contribution of the Property towards the appropriations limit for the CFD (as defined by section 8(h) of Article XIII B of the California Constitution). The Owner hereby waives any notice, protest, and hearing procedures and provisions of any law other than the Act with respect to the annexation of the Property, the levy and collection of the Special Tax, the authorization of debt, or the establishment of the appropriations limit. The Owner further acknowledges that the annexation, the Special Tax, the debt, and the appropriations limit are being authorized on the Property at the Owner's request, and the Owner waives any right to contest the annexation, the authorization of the Special Tax or the debt, the establishment of the appropriations limit, or the imposition of the Special Tax in accordance with this agreement.
- 6. **Commencement and Completion of Improvements.**
 - (a) **Consent and Authorization.** This agreement constitutes consent and authorization for the Owner to purchase directly the related equipment and materials for the Improvements and to contract directly for the installation of the Improvements on the Property whether by lease of the Improvements, the purchase of energy generated by the Improvements through a power purchase contract, or otherwise.
 - (b) **Date of completion of the Improvements.** Subject to section 17(g) below, the Owner shall complete installation of the Improvements no later than 180 days after the Effective Date unless the Improvements cost \$500,000 or more and the Owner and the Program Administrator have agreed on a later completion date. The Owner and the Program Administrator may agree to an extension of the completion date for good cause shown.
- 7. **Collection of Special Tax on Property Tax Bill; Other Remedies.**
 - (a) **Annual installments of the Special Tax** will be collected through the property-tax bill for the Property. The Special Tax will be payable and become delinquent and will bear the same penalties and interest after delinquency, at the same times and in the same manner, and in the same installments, as general taxes on the Property are payable. The maximum amount of the Special Tax that will be placed on the tax roll each year is set forth in Exhibit B to this agreement. In accordance with California Law, delinquent Special Taxes bear late charges and interest at the same rates that apply to delinquent ad valorem taxes.
 - (b) The Special Tax lien will be coequal to, and independent of, the lien for general taxes and, except as provided in California Government Code section 53936, will not be subject to extinguishment by the sale of the Property on account of the nonpayment of any taxes. The Special Tax lien will be prior and superior to all liens, claims, and encumbrances on or against the Property except (1) the lien for

- general taxes or ad valorem assessments in the nature of taxes that are levied and collected by the State of California or by any county, city, special district, or other local agency; (2) the lien of any special assessment or assessments; (3) easements constituting servitudes upon or burdens to the Property; (4) water rights, the record title to which is held separately from the title to the Property; and (5) restrictions of record.
- (c) The Special Tax may include an amount to pay costs that are incurred by the applicable County in the collection of taxes for the CFD, the Authority, or the Program Administrator in connection with the following: administration and collection of the Special Tax; administration of the CFD; administration of the debt or financing arrangement, as described in the Report; or administration of any reserve fund and other related funds.
 - (d) As a cumulative remedy, if any installment of the Special Tax or any related interest, penalties, costs (including reasonable attorneys' fees), or other charges accruing under applicable taxation provisions are not paid when due, then the Authority or the Program Administrator on behalf of the Authority may order that the same be collected by an action brought by the Authority or by a trustee in the name of the Authority in the Superior Court of the County within which the property is located to foreclose the lien of the Special Tax to the extent permitted by, and in the manner provided by, applicable law.
 - (e) The Authority intends to have all Special Tax revenues the County collects (including any interest, late charges, delinquent interest, and other charges allowed by law) remitted directly to a trustee who will receive and hold the revenues for the benefit of the Program Administrator and disburse the revenues in accordance with the Program Administrator's instructions.
8. **Use of Proceeds.** The Owner shall use the Disbursement Amount in compliance with all requirements of the Contract Documents and for the sole purpose of paying the reasonable costs and expenses of the Improvements, including the costs of energy audits, architectural and engineering fees, insurance costs, prepaid or amortized interest, Program costs, and other costs as may be required by the Authority and the Program Administrator.
9. **Disbursement Procedures.**
- (a) Notwithstanding anything to the contrary elsewhere in this agreement, no funds will be disbursed to the Owner or on the Owner's behalf unless and until the Program Administrator determines that each of the following conditions has been satisfied, except that the Program Administrator may, with the Authority's approval, expressly waive one or more of these conditions in writing on the Authority's behalf:
 - (1) The Program Administrator has received a written request to disburse the Disbursement Amount.
 - (2) The Program Administrator (A) has received written confirmation from the appropriate government department performing building inspection services for the jurisdiction within which the property is located, that the Improvements have been completed in accordance with the building permit; or (B) has established criteria for processing progress disbursements, and those criteria have been satisfied.
 - (3) If requested, the Program Administrator has received from the Owner and, if applicable, from the contractor or contractors that installed the Improvements, a document certifying that installation is complete. The certification must be acceptable to the Program Administrator in form and substance.
 - (4) The Program Administrator has received such other documents as the Program Administrator may require, including, if applicable, documents required by consumer-protection laws, the sworn statements of contractors, and releases or waivers of liens, all in compliance with Program policies and/or applicable law.
 - (5) The Owner has, as appropriate, signed and delivered to the Program Administrator the Contract Documents and such other documents pertaining to the Disbursement Amount or the Improvements as the Program Administrator may reasonably require.
 - (6) As of the date of the disbursement, no stop payment or mechanic's lien notice pertaining to the Improvements has been filed and remains in effect, except such as will be removed through a close of an escrow that includes the payment of some or all of the Disbursement Amount.
 - (7) If required, the Program Administrator has received a title policy, paid for by the Owner, with regard to the funds to be disbursed to the Owner.
10. **Prepayment of Special Tax Obligation.** The Owner may prepay the Special Tax obligation at any time by paying the then outstanding principal balance as shown on the amortization schedule provided with the Final

Closing Statement, plus reasonable administrative costs and the current year's installment of the Special Tax that appears on the property tax bill. The prepayment may also include a prepayment premium based upon a percentage of the remaining principal as defined in Exhibit B hereto. The Special Tax obligation may only be prepaid in full.

11. **The Owner's Representations and Warranties.** Based on the Owner's actual knowledge after a reasonable investigation, the Owner represents and warrants that each of the statements set forth in sections 11(a) through 11(f) below is true and complete as of the Effective Date. By accepting the Disbursement Amount, the Owner is deemed to have reaffirmed, as of the date of disbursement, the truth and completeness of the statements in sections 11(a) through 11(f) and of each declaration the Owner makes in the Application. If the Owner is one or more trustees of a trust, then the following statements also pertain to the trustor or trustors of the trust.
- (a) *Formation; Authority.* Each person who signs this agreement (other than the Authority's signatory) represents the following:
 - (1) The signature page of this agreement identifies all persons and entities holding title to the Property.
 - (2) The Contract Documents are binding upon, and enforceable against, the Owner in accordance with their terms.
 - (3) No consent or approval of any third party is required for the Owner's execution of the Contract Documents or the Owner's performance of its obligations under the Contract Documents except for the consents and approvals, if any, that the Owner has already obtained.
 - (4) If the person is signing for himself or herself, then he or she is authorized and able to perform the Owner's obligations under the Contract Documents and under all other documents the Owner delivers to the Authority or the Program Administrator in connection with the Contract Documents.
 - (5) If the person is signing on behalf of a corporation, partnership, limited-liability company, or other entity that is not a natural person, then (A) he or she is authorized to sign and deliver this agreement on that entity's behalf; (B) the entity for which he or she signs is authorized and able to perform the Owner's obligations under the Contract Documents and under all other documents the Owner delivers to the Authority or the Program Administrator in connection with the Contract Documents; and (C) the entity has complied with all laws and regulations concerning its organization and existence and the transaction of its business and is in good standing in each state in which it conducts its business.
 - (b) *Compliance with Law.* Neither the Owner nor the Property is in violation of, and the terms and provisions of the Contract Documents do not conflict with, any regulation or ordinance, any order of any court or governmental entity, or any building restrictions or governmental requirements affecting the Property.
 - (c) *Other Information.* All documents, information, and forms of evidence that have been delivered to the Program Administrator in connection with the Owner's application for Program funding are accurate and sufficiently complete to provide accurate and complete knowledge of their subject matter.
 - (d) *Lawsuits.* There are no lawsuits, tax claims, actions, proceedings, investigations, or other disputes pending or threatened against the Owner or the Property that may impair the Owner's ability to perform its obligations under this agreement or may impair the Authority's ability to levy and collect the Special Tax or any other amounts owing under the Program.
 - (e) *No Event of Default.* There is no event that is, or with notice or lapse of time or both would be, a Default (defined in section 17 below) under this agreement.
 - (f) *Accuracy of Declarations.* The Owner's declarations in the Application are true and complete.
12. **The Owner's Covenants.**
- (a) *Installation and Maintenance of Improvements.* The Improvements must be installed by contractors on the Program Administrator's list of Certified Contractors unless the Program Administrator, in writing, authorizes the Owner to install the Improvements. The Owner shall cause its contractor or contractors to do the following: promptly obtain all required building permits; thereafter promptly begin installation of the Improvements and diligently continue the work to completion, in a good and workmanlike manner and in accordance with sound installation practices. The same standard applies if the Owner installs the Improvements. The Owner shall maintain the Improvements in good condition and repair.

- (b) *Compliance with Law.* The Owner shall complete all Improvements, or cause the Improvements to be completed, in conformity with all applicable laws, including all applicable federal, state, and local occupation, safety, and health laws, rules, regulations, and standards. The Owner shall comply with and keep in effect all permits, licenses, and approvals required to install and operate the Improvements.
- (c) *Site Visits.* The Owner hereby grants to the Authority's and the Program Administrator's agents and representatives the right to enter and visit the Property at any reasonable time during construction, and for a period of 180 days following completion of construction, after giving reasonable notice to the Owner, for the purpose of observing the Improvements. The agents and representatives will make reasonable efforts, during any site visit, to avoid interfering with Owner's use of the Property. The Owner shall also allow the Authority's and the Program Administrator's agents and representatives to examine and copy the Owner's records and other documents that relate to the Improvements. Any site visit, observation, or examination under this section 12(c) will be solely for the purposes of protecting the Authority's rights under the Contract Documents and shall not result in any responsibility or obligation of the Authority with respect to the Improvements.
- (d) *Protection Against Lien Claims.* The Owner shall promptly pay or otherwise discharge any claims and liens for labor done and materials and services furnished to the Property in connection with the Improvements. The Owner may contest in good faith any claim or lien but must do so diligently and without delay in completing the Improvements.
- (e) *Notice to Successors in Interest.* The Owner shall provide any subsequent purchaser of the Property with written notice that the Property is subject to the Special Tax lien.
- (f) *Insurance.* If the Maximum Disbursement exceeds \$100,000, then the Owner shall provide, maintain, and keep in force at all times, until the Improvements are completed, a policy of builder's "all risk" property-damage insurance on the Property, with a policy limit equal to the amount of the Maximum Disbursement. Alternatively, the Owner may require that each Certified Contractor installing the Improvements provides, maintains, and keeps such insurance in force. Upon request, the Owner shall provide the Program Administrator with documents (e.g., a certificate of insurance) confirming compliance with this section 12(f).
- (g) *Notices.* The Owner shall promptly notify the Program Administrator in writing of any Default (defined in section 17 below) under this agreement and of any event that, with notice or lapse of time or both, would constitute a Default.
13. **Mechanic's Lien and Stop Work Notices.** If a stop work notice or a mechanic's lien related to the Improvements is filed or recorded in accordance with California law, then the Program Administrator may summarily refuse to disburse any funds to the Owner. In addition, if the Owner fails to furnish the Program Administrator with a bond causing such notice or lien to be released within ten days of notice from the Program Administrator to do so, then that failure will constitute a Default under this agreement (see section 17 below). The Owner shall promptly deliver to the Program Administrator copies of all such notices or liens.
14. **Owner Responsibility; Indemnification.**
- (a) The Owner acknowledges that the Authority has established the Program solely for the purpose of assisting the owners of property in the Authority with financing for the acquisition and installation of qualifying renewable-energy systems and energy- and water-efficiency improvements. The Program is a financing program. The Authority; the Authority's officers, employees, or agents; and the Program Administrator are not responsible for the selection of the Improvements or for the installation, performance, or maintenance of the Improvements. Any issues related to installation, performance, or maintenance of the Improvements should be discussed with the Owner's contractors and with the manufacturers or distributors of the Improvements.
- (b) **SOLE RESPONSIBILITY TO DEAL WITH LENDERS**
The Owner authorizes the Program Administrator to send a *Notice to Lender of Proposed Special Tax* to each mortgage lender of record that holds a note or alternative debt instrument secured by a lien on the property (the "Notice"). It will notify lenders that the Owner intends to authorize the recordation of a special-tax lien against the property.
Please note the following:
1) When the Owner annexes the property to the CFD and enters into a Unanimous Approval Agreement with the Authority, a special-tax lien will be imposed on the property.

- 2) By law, the special-tax lien will be co-equal with the lien for general property taxes. It thus will be superior to the lien of any existing deed of trust the Owner may have previously executed in favor of a mortgage lender.
- 3) Existing mortgage lenders may contend that by entering into the Unanimous Approval Agreement the Owner has violated the loan agreements or deeds of trust.
- 4) The fact that the Program sent the Notice will not preclude the lenders from later alleging that the Owner has violated the loan agreements with them, and there is a risk that the lenders may prevail in any litigation over the alleged violation.
- 5) Neither the Authority nor the Program Administrator can advise the Owner about any loan agreements with lenders. The Owner's contractual relations with lenders are the Owner's sole responsibility.

OWNER'S INITIALS:

- (c) To the maximum extent permitted by law, the Owner shall indemnify, defend, protect, and hold harmless the Authority and the Authority's officers, employees, and agents (collectively, the "Authority Parties"), as well as the Program Administrator, from and against all liabilities, claims, demands, damages (including consequential damages), and costs (including all reasonable out-of-pocket litigation costs and reasonable attorneys' fees through final resolution on appeal) that are related directly or indirectly to, or arise in any way out of, or in connection with, any fact, circumstance, or event related to the approval of the Disbursement Amount or the payment to the Owner of the Disbursement Amount, including any of the following: the Contract Documents; the Owner's performance of (or failure to perform) its obligations under the Contract Documents; the Owner's breach or Default (see section 17 below) under the Contract Documents; disbursement of the Disbursement Amount; the selection, acquisition, installation, operation, or maintenance of the Improvements; the levy and collection of the Special Tax; and the imposition of the Special Tax lien. The Owner's obligations under this section 14 apply whether they accrue or are discovered before or after the disbursement of the Disbursement Amount to the Owner or the Owner's designee.
 - (d) The indemnity obligations described in this section 14 will survive the disbursement of the Disbursement Amount to the Owner or the Owner's designee, the payment of the Special Tax obligation in full, the transfer or sale of the Property by Owner, and the termination of this agreement.
- 15. Waiver of Claims.**
- (a) Acting for itself; for its successors-in-interest to the Property; and for anyone claiming by, through, or under the Owner, the Owner hereby waives the right to recover from, and fully and irrevocably releases the Authority Parties and the Program Administrator from, all claims, obligations, liabilities, causes of action, or damages, including attorneys' fees and court costs, that the Owner may now have or later acquire against any of the Authority Parties or the Program Administrator, and accruing from, or related to, any of the following:
 - (1) the Contract Documents;
 - (2) the advance of or failure to advance the Disbursement Amount;
 - (3) the levy and collection of the Special Tax;
 - (4) the imposition of the Special Tax lien;
 - (5) the issuance and sale of any bonds or other evidences of indebtedness, or other financial arrangements entered into by the Authority or the Program Administrator pursuant to the Program;
 - (6) the performance of the Improvements;
 - (7) the Improvements;
 - (8) any damage to or diminution in value of the Property that may result from installation or operation of the Improvements;
 - (9) any personal injury or death that may result from installation or operation of the Improvements;
 - (10) the selection of manufacturers, dealers, suppliers, contractors, or installers, or their action or inaction with respect to the Improvements;
 - (11) the merchantability and fitness of the Improvements for any particular purpose, use, or application;
 - (12) the amount of energy or water savings resulting from the Improvements;
 - (13) the workmanship of any third parties; and
 - (14) any other matter with respect to the Program.

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- (b) This release includes claims, obligations, liabilities, causes of action, and damages of which the Owner is not currently aware or which the Owner does not suspect to exist, and which, if known by the Owner, would materially affect the Owner's release of the Authority Parties or the Program Administrator or both.
 - (c) The Owner hereby acknowledges that it has read and is familiar with California Civil Code section 1542 ("Section 1542"), which is set forth below:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

By initialing below, the Owner hereby waives the provisions of Section 1542 solely in connection with the matters that are the subject of the foregoing waivers and releases.

OWNER'S INITIALS:

- (d) The Owner's waivers and releases in this section 15 will survive the disbursement of the Disbursement Amount, the payment of the Special Tax obligation in full, the Owner's transfer or sale of the Property, and the termination of this agreement. The Owner's waivers and releases in this section 15 apply to the Owner's successors-in-interest to the Property and to anyone claiming by, through, or under the Owner.
16. **Further Assurances.** The Owner shall execute any additional documents that are consistent with this agreement, including documents in recordable form, as the Authority or the Program Administrator may from time to time find necessary or appropriate to effectuate its purposes in entering into this agreement and disbursing funds to the Owner.
17. **Events of Default.**
- (a) Section 3 above and California law, including the Act, govern remedies with respect to the nonpayment of the Special Tax or any other amounts payable by the Owner under this agreement.
 - (b) The failure of any of the Owner's representations or warranties to be correct in all material respects, or the Owner's failure to perform or delay in performing any of its obligations under the Contract Documents (other than failures or delays with respect to payment of the Special Tax or any other amount payable by the Owner), will each constitute a non-monetary default (each, a "Default"). Upon receiving a notice of Default given under section 17(c) below, the Owner shall immediately start to cure the Default and shall complete the cure with reasonable diligence, but in any event no later than the time set forth in section 17(c).
 - (c) If a Default occurs, then before exercising any rights or remedies under the Contract Documents or California law, including the Act, the Program Administrator, on the Authority's behalf, must give the Owner a written notice of Default. If the Default is reasonably capable of being cured within 30 days, then the Owner will have 30 days after receiving the notice to effect a cure before the Authority may exercise any rights or remedies. If the Default is reasonably capable of being cured, but not within 30 days, and if the Owner begins corrective action within 30 days after receiving the notice and diligently, continually, and in good faith works to complete the cure as soon as is practicable, then the Owner will have such additional time as is reasonably necessary to cure the Default before the Authority may exercise any rights or remedies. In no event, however, will the Authority be precluded from exercising any rights or remedies if its security becomes or is about to become materially jeopardized by the Owner's failure to cure a Default or if the Default is not cured within 120 days after the first notice of Default is given.
 - (d) If a Default occurs, then, subject to section 17(c) above, the Authority may exercise any or all of the rights and remedies available to it under applicable law, at equity, or as otherwise provided in this agreement. If, at the time of the Default, there has been no disbursement of the Disbursement Amount, then the Authority may elect to terminate this agreement, and, except as otherwise expressly provided in this agreement, upon such termination the parties will have no further obligations or rights under this agreement.

- (e) All costs and expenses the Authority or the Program Administrator incurs in pursuing its remedies under this agreement will be additional indebtedness of the Owner.
 - (f) Except as otherwise expressly stated in this agreement or as otherwise provided by applicable law, the Authority's rights and remedies are cumulative, and the exercise of one or more of those rights or remedies will not preclude the exercise, at the same time or different times, of any other rights or remedies for the same Default or any other Default. The Authority's failure or delay in asserting any of its rights and remedies as to any Default will not operate as a waiver of any Default or of any such rights or remedies and will not deprive the Authority of its rights to institute and maintain any actions or proceedings it may consider necessary to protect, assert, or enforce its rights or remedies.
 - (g) With respect to the installation of the Improvements only, the performance of the Owner's covenants under this agreement and the compliance of conditions imposed upon the Owner by this agreement will be excused while and to the extent that the Owner, through no fault or negligence of its own, is prevented from performing or complying by war, riots, strikes, lockouts, action of the elements, accidents, or acts of nature beyond the Owner's reasonable control. But the excused covenants or conditions will be restored to full force as soon as the cause or event preventing compliance is removed or ceases to exist, and the Owner shall immediately resume installation of the Improvements.
18. **Severability.** Each provision of this agreement is a separate and independent covenant and agreement. If any non-material provision of this agreement or the application of that provision is held to be invalid or unenforceable in whole or part, then the remainder of this agreement, or the application of that provision to circumstances other than those to which it is invalid or unenforceable, will remain valid and fully enforceable.
19. **Notices.** Any notice or demand under this agreement must be in writing and will be considered properly given and effective only when mailed or delivered in the manner provided by this section 19 to the persons identified below. A mailed notice or demand will be effective or will be considered to have been given on the second business day after it is deposited in the United States Mail, as certified mail, addressed as set forth below and with postage prepaid. A notice or demand sent in any other manner will be effective or will be considered properly given when actually delivered. A party may change its address for these purposes by giving written notice of the change to the other party in the manner provided in this section 19. Notwithstanding anything set forth in this section, after disbursement of funds to the Owner, all notices regarding the Special Tax must be sent as provided by California law.

To the Authority:
 California Home Finance Authority
 1215 K Street, Sacramento, CA 95814
 Suite 1650
 Attention: Vice President

To Owner:

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20. **No Waiver.** A disbursement of the Disbursement Amount based upon inadequate or incorrect information will not constitute a waiver of the Authority's right to receive a refund of the Disbursement Amount from the Owner.
21. **Interpretation.** This agreement is to be interpreted and applied in accordance with California law. Exhibits A and B are part of this agreement. "Include" and its variants are terms of enlargement rather than of limitation. For example, "includes" means "includes but not limited to," and "including" means "including but not limited to."
22. **Venue.** Any legal action brought under this agreement must be instituted in the Superior Court in Sacramento County, California.
23. **Assignment by Authority.** The Authority, at its option, may do either or both of the following without obtaining the Owner's consent:
- (a) Assign any or all of its rights and obligations under this agreement, including the right to file and prosecute any foreclosure action regarding delinquent Special Taxes or any other amounts payable by the Owner under this agreement.

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- (b) Pledge and assign its right to receive the Special Tax collections and any other amounts payable by the Owner under this agreement.
24. **Owner Assignment Prohibited.** The Owner shall not assign or transfer any portion of this agreement or of the Owner's rights or obligations under the agreement without the Authority's prior express written consent, which the Authority may withhold, grant, or condition in its sole and absolute discretion. The sale, transfer, or rental of the Property is not an assignment or transfer of this agreement.
25. **Carbon Credits.** The Owner agrees, upon direction of the Program Administrator, to transfer any carbon credits, renewable-energy credits, solar-renewable-energy credits, offsets, or other tradable environmental certificate or permit attributable to the Improvements (collectively, "Carbon Credits") to the Authority; following which, such Carbon Credits will be owned by the Authority. Should installation of the Improvements qualify for a monetary incentive or rebate program that requires transfer of Carbon Credits to the provider of the monetary incentive or rebate, then the Authority shall waive its rights to the transfer of the Carbon Credits to it by the Owner in conjunction with the provision of the monetary incentive or rebate to the Owner.
26. **Entire Agreement; Counterparts; Amendment.** This agreement contains the parties' entire understanding regarding the matters addressed and is intended to be their final, complete, and exclusive expression of those matters. It supersedes all prior or contemporaneous agreements, representations, and negotiations, whether written, oral, express, or implied. Any amendment to this agreement must be in writing and signed by both parties. If the Owner consists of more than one person or entity, then all such persons and entities will be jointly and severally obligated by this agreement. This agreement may be executed in several counterparts, each of which will be considered an original, but all of which together will constitute the same agreement.
27. **Special Termination.** Notwithstanding anything to the contrary above, this agreement will terminate and be of no further force if, on or before the date and time described in the Notice of Right to Cancel delivered to the Owner when the Owner signed this agreement, the Owner submits to the Program Administrator a notice of the Owner's decision to cancel this agreement.

(SIGNATURE PAGES FOLLOW)

PROPERTY OWNER NO. 1

First Name:	Middle:	Last Name:
Mailing Address:		
City:	State:	Zip Code:
Trust:		
Legal Entity:		

**IMPORTANT SIGNATURE INSTRUCTIONS: PLEASE SIGN YOUR NAME EXACTLY AS SHOWN ABOVE IN THE NAME FIELDS.
 IF YOU ARE A TRUSTEE, PLEASE INCLUDE THE TITLE "TRUSTEE" AFTER YOUR SIGNATURE. EXAMPLE: John M. Smith, Trustee**

E-SIGNATURE – PROPERTY OWNER NO. 1

.....
 PROPERTY OWNERS NO. 1 SIGNATURE

.....
 DATE

**Print Name & Title
 of Authorized Person:**

STATE OF CALIFORNIA

County of..... } ss.

On....., 20..... before me,
 personally appeared,
 who proved to me on the basis of satisfactory evidence to
 the person(s), whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same
 in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon beha
 of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

.....
 NOTARY'S SIGNATURE

SEAL

PROPERTY OWNER NO. 2

First Name: _____ **Middle:** _____ **Last Name:** _____

Mailing Address: _____

City: _____ **State:** _____ **Zip Code:** _____

Trust: _____

Legal Entity: _____

IMPORTANT SIGNATURE INSTRUCTIONS: PLEASE SIGN YOUR NAME EXACTLY AS SHOWN ABOVE IN THE NAME FIELDS. IF YOU ARE A TRUSTEE, PLEASE INCLUDE THE TITLE "TRUSTEE" AFTER YOUR SIGNATURE. EXAMPLE: John M. Smith, Trustee

.....
PROPERTY OWNERS NO. 2 SIGNATURE

.....
DATE

**Print Name & Title
of Authorized Person:**

STATE OF CALIFORNIA

County of..... } ss.

On....., 20..... before me,
..... personally appeared,
..... who proved to me on the basis of satisfactory evidence
to be the person(s), whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the
same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity
upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

.....
NOTARY'S SIGNATURE

SEAL

PROPERTY OWNER NO. 3

First Name:	Middle:	Last Name:
Mailing Address:		
City:	State:	Zip Code:
Trust:		
Legal Entity:		

IMPORTANT SIGNATURE INSTRUCTIONS: PLEASE SIGN YOUR NAME EXACTLY AS SHOWN ABOVE IN THE NAME FIELDS. IF YOU ARE A TRUSTEE, PLEASE INCLUDE THE TITLE "TRUSTEE" AFTER YOUR SIGNATURE. EXAMPLE: John M. Smith, Trustee

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PROPERTY OWNERS NO. 3 SIGNATURE

.....

DATE

**Print Name & Title
 of Authorized Person:**

STATE OF CALIFORNIA

County of..... } ss.

On..... 20..... before me,
 personally appeared,
 who proved to me on the basis of satisfactory evidence t
 be the person(s), whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the
 same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity
 upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct

WITNESS my hand and official seal.

.....
NOTARY'S SIGNATURE

SEAL

PROPERTY OWNER NO. 4

First Name:	Middle:	Last Name:
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Mailing Address:

City:	State:	Zip Code:
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Trust:

Legal Entity:

IMPORTANT SIGNATURE INSTRUCTIONS: PLEASE SIGN YOUR NAME EXACTLY AS SHOWN ABOVE IN THE NAME FIELDS. IF YOU ARE A TRUSTEE, PLEASE INCLUDE THE TITLE "TRUSTEE" AFTER YOUR SIGNATURE. EXAMPLE: John M. Smith, Trustee

PROPERTY OWNERS NO. 4 SIGNATURE

DATE

Print Name & Title of Authorized Person:

STATE OF CALIFORNIA

County of..... } ss.

On..... 20..... before me, personally appeared, who proved to me on the basis of satisfactory evidence to be the person(s), whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

NOTARY'S SIGNATURE

SEAL

CALIFORNIA HOME FINANCE AUTHORITY

Signature of Authorized Person:

Print Name and Title of Authorized Person:

Date:

EXHIBIT A TO UNANIMOUS APPROVAL AGREEMENT

FORM OF NOTICE OF SPECIAL TAX LIEN

California Home Finance Authority
Community Facilities District No. 2014-1
(Clean Energy)

Pursuant to sections 53328.1(a)(4) and 53328.3 of the California Government Code, which are part of the "Mello-Roos Community Facilities Act of 1982" (chapter 2.5, part 1, division 2, title 5 of the California Government Code) (the "Act"), and to section 3114.5 of the California Streets and Highways Code, the undersigned hereby gives notice that a lien to secure payment of a special tax is hereby imposed by the Board of the California Home Finance Authority (the "Authority"), upon the parcel listed here (the "Property"). The special tax secured by this lien is authorized to be levied for the purpose of paying the cost to acquire and install qualifying renewable-energy systems and energy- and water-efficiency improvements, including paying principal and interest on debt (as that term is defined in the Act), the proceeds of which are used to finance all or a portion of the cost of the systems and improvements.

The special tax is authorized to be levied within the California Home Finance Authority Community Facilities District No. 2014-1 (Clean Energy), to which the Property has been annexed with the unanimous consent of all of its owners by means of a Unanimous Approval Agreement (to which reference is made for further particulars and which, under section 53329.6 of the Act, constitutes the vote of the qualified electors required by the California Constitution). The lien of the special tax is a continuing lien that secures each annual levy of the special tax and continues in effect until the special-tax obligation is prepaid, permanently satisfied, or canceled in accordance with law.

The *maximum* annual amount of the special tax is shown hereon. The conditions under which the obligation to pay the special tax may be prepaid and permanently satisfied and the lien of the special tax canceled, and the procedures for calculating the amount required for prepayment of the special tax, are set forth in the Unanimous Approval Agreement.

Notice is further given that upon the recording of this notice in the office of the Clerk/Recorder of the County within which the Property is domiciled, the obligation to pay the special-tax levy will become a lien upon the Property in accordance with section 3115.5 of the California Streets and Highways Code.

The names of the owners and the assessor's parcel number of the Property are shown hereon.

For further information concerning the current and estimated future special-tax liability of owners or purchasers of the Property subject to this special-tax lien, interested persons should contact:

Willdan Financial Services
(866) 807-6864
DAS-AnalystAssistants@willdan.com

FORM OF MASTER ASSIGNMENT AGREEMENT

This Master Assignment Agreement, dated _____, 20__ for reference (the “**Master Agreement**”), is between the CALIFORNIA HOME FINANCE AUTHORITY, a California joint exercise of powers authority (the “**Authority**”); YGRENE ENERGY FUND CALIFORNIA, LLC, a California limited-liability company (“**Ygrene**”); and ZIONS FIRST NATIONAL BANK, a national banking association organized and existing under and by virtue of the laws of the United States of America, as trustee, including its successors and assigns hereunder (the “**Trustee**”).

Background

- A. In connection with its Clean Energy Program (the “**Program**”), the Authority has established its Community Facilities District No. 2014-1 (Clean Energy) (the “**CFD**”) in accordance with the Mello-Roos Community Facilities Act of 1982 (California Government Code Sections 53311 through 53368.3) (the “**Act**”), and particularly under Sections 53313.5(l) and 53328.1. The CFD authorizes the Authority to levy, secure, and collect special taxes on any parcel when all the owners of the parcel sign an agreement consenting to have the parcel annexed to the CFD (a “**Unanimous Approval Agreement**”). In this Master Agreement, “**Special Tax**” means the special tax described in, and authorized by, a Unanimous Approval Agreement.
- B. A Unanimous Approval Agreement has been entered into for each of the parcels described in supplemental assignments substantially in the form attached to this Master Agreement as Exhibit A (each a “**Supplemental Assignment**”). In this Master Agreement, the “**Property**” refers to the parcel described in a Supplemental Assignment.
- C. Under the Act, the Special Tax authorized by a Unanimous Approval Agreement is to be levied and collected as a separate line item on the secured property-tax bill for the Property in the same manner as applicable County Treasurer-Tax Collector collects the general property-tax revenues.
- D. In exchange for Ygrene’s arrangement of financing through the Program for energy-efficiency, water-conservation, and renewable-energy improvements on the Property (the “**Improvements**”), the Authority desires to sell and assign to Ygrene, without recourse to the Authority except as expressly provided herein, the Authority’s right to receive the Special Tax collectible for each Property, and any penalties and interest on and other proceeds of any delinquent installment of the Special Tax (the “**Special Tax Revenues**”).

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- E. Also in exchange for Ygrene's arrangement of financing for the improvements through the Program, the Authority desires to sell and assign certain enforcement rights with respect to the Special Tax Revenues to the Trustee, in trust, for the benefit of Ygrene upon the terms set forth in this Master Agreement.
 - F. The Authority is willing to sell and assign the Authority's right to receive Special Tax Revenues upon the terms set forth in this Master Agreement.
 - G. The Authority is willing to sell and assign certain enforcement rights with respect to the Special Tax Revenues upon the terms set forth in this Master Agreement.

The Authority, Ygrene, and the Trustee agree as follows:

1. **Agreement to Sell and Assign Special Tax Revenues; Agreement to Sell and Assign Enforcement Rights; Repurchase of Delinquent Installments.** (a) The Authority shall sell and assign to Ygrene, without recourse to the Authority except as expressly provided herein, all of the Authority's rights to receive the Special Tax Revenues collectible for the Property identified in each Supplemental Assignment. The consideration for each sale and assignment is Ygrene's arrangement of financing for the Improvements through the Program.

(b) The Authority shall sell and assign to the Trustee, in trust, for the benefit of Ygrene, without recourse to the Authority except as expressly provided herein, all present or future rights of the Authority to enforce or cause the enforcement of the payment of any delinquent Special Tax collectible for the Property through judicial foreclosure. The Trustee hereby agrees that it will not initiate any such judicial foreclosure proceeding against any Property to enforce a delinquent installment of the Special Tax if the applicable County shall have paid, and the Trustee shall have received, one hundred percent (100%) of the amount of such delinquent installment of the Special Tax through the County's so-called "Teeter Plan," if any. The consideration for each sale and assignment is Ygrene's arrangement of financing for the Improvements through the Program.

(c) Any delinquent installment of the Special Tax, the right to receive the Special Tax Revenues collectible with respect to any such delinquent installment of the Special Tax, and the enforcement rights described in Section 1(b) of this Master Agreement with respect to such delinquent installment of the Special Tax, shall be automatically sold to the applicable County upon the Trustee receiving one hundred percent (100%) of the amount of such delinquent installment of the Special Tax through the County's so-called "Teeter Plan," if any, as set forth in Section 5(b) of this Master Agreement. Upon the sale to the applicable County of any delinquent installment of the Special Tax and the rights with respect thereto pursuant to the immediately preceding sentence, Ygrene and the Trustee shall have no further right to the enforcement rights described in Section 1(b) of this Master Agreement with respect to such delinquent installment of the Special Tax or to receive such delinquent installment of the Special Tax or the Special Tax Revenues

collectible with respect to such delinquent installment of the Special Tax and the Authority shall have no further obligation to pay the Special Tax Revenues collectible with respect to such delinquent installment of the Special Tax to the Trustee as set forth in Section 5(a) of this Master Agreement.

2. **Ygrene's Representations and Warranties.** Ygrene hereby represents and warrants to the Authority and the Trustee that the following statements are true as of the effective date of this Master Agreement and, with respect to the right to receive Special Tax Revenues conveyed by a Supplemental Assignment, as of the effective date of the Supplemental Assignment:
- (a) Ygrene is duly organized, validly existing, and in good standing in the State of California.
 - (b) Ygrene has full power and authority to enter into, and to perform its obligations under, this Master Agreement.
 - (c) Ygrene's execution and delivery of, and performance under, this Master Agreement does not conflict with, or cause a breach or default by it under, any of its organizational documents; any law, rule, regulation, judgment, order, or decree to which it is subject; or any agreement or instrument to which it is a party.
 - (d) Ygrene has duly authorized the terms, execution, delivery, and performance of this Master Agreement, and Ygrene has duly executed and delivered this Master Agreement.
 - (e) This Master Agreement constitutes a legal, valid, and binding obligation of Ygrene, enforceable against Ygrene and its successors and assignees in accordance with its terms, subject to laws relating to or affecting creditors' rights generally (including laws pertaining to bankruptcy, insolvency, reorganization, moratorium, and fraudulent conveyance) and to the application of equitable principles in any proceeding, whether at law or in equity.
 - (f) No consent, approval, authorization, order, registration, or qualification by, of, or with any court, regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over Ygrene is required for Ygrene's consummation of the transactions contemplated by this Master Agreement or any Supplemental Assignment, except for those that have been obtained and are in full effect.
 - (g) Ygrene believes that the consummation of the transactions contemplated by this Master Agreement and each Supplemental Assignment will not violate any law, order, rule, or regulation of any court, regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over Ygrene.

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- (h) Ygrene has not been served with process in, and has not been overtly threatened by a governmental entity or financial institution in a substantive matter with, any court proceeding that—
- (1) asserts the invalidity of this Master Agreement, any Supplemental Assignment, or any aspect of the CFD;
 - (2) seeks to prevent the consummation of any of the transactions contemplated by this Master Agreement, any Supplemental Assignment, or the CFD; or
 - (3) seeks any determination or ruling that would materially and adversely affect the validity or enforceability of this Master Agreement, any Supplemental Assignment, or the authority conferred upon the Authority by the CFD.
- (i) Ygrene is providing reasonably equivalent value for each right to receive Special Tax Revenues sold and assigned to Ygrene under this Master Agreement and a Supplemental Assignment.
3. **The Authority's Representations and Warranties.** The Authority hereby represents and warrants to Ygrene and the Trustee that the following statements are true as of the effective date of this Master Agreement and, with respect to the right to receive Special Tax Revenues conveyed by a Supplemental Assignment, as of the effective date of the Supplemental Assignment:
- (a) The Authority validly exists as a joint powers authority under California law.
 - (b) The Authority has duly authorized the execution, delivery, and performance of this Master Agreement and of each Supplemental Assignment.
 - (c) The Authority has duly executed and delivered this Master Agreement and each Supplemental Assignment. Assuming that Ygrene and the Trustee duly authorize, execute, and deliver this Master Agreement, the Authority believes that this Master Agreement and each Supplemental Assignment constitute legal, valid, and binding obligations of the Authority, enforceable against the Authority in accordance with their terms, subject to laws relating to or affecting creditors' rights generally (including laws pertaining to bankruptcy, insolvency, reorganization, moratorium, and fraudulent conveyance); to the application of equitable principles in any proceeding, whether at law or in equity; and to the limitations on remedies against cities in California.
 - (d) No consent, approval, authorization, order, registration, or qualification by, of, or with any court, regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over the Authority is required for the Authority's consummation of the transactions contemplated by this Master Agreement or any

Supplemental Assignment, except for those that have been obtained and are in full effect.

- (e) The Authority's consummation of the transactions contemplated by this Master Agreement and each Supplemental Assignment, and the fulfillment of the terms of those agreements, do not—
 - (1) in any material way conflict with, or result in the Authority's material breach of, any of the material terms and provisions of any agreement to which the Authority is a party or by which it is bound; or
 - (2) constitute a material default by the Authority (with or without notice or lapse of time) under any agreement to which the Authority is a party or by which it is bound.
- (f) The Authority believes that the consummation of the transactions contemplated by this Master Agreement and each Supplemental Assignment will not violate any law, order, rule, or regulation of any court, regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over the Authority.
- (g) The Authority has not been served with process in, and has not been overtly threatened by a governmental entity or financial institution in a substantive matter with, any court proceeding that—
 - (1) Asserts the invalidity of this Master Agreement, any Supplemental Assignment, or any aspect of the CFD;
 - (2) Seeks to prevent the consummation of any of the transactions contemplated by this Master Agreement, any Supplemental Assignment, or the CFD; or
 - (3) Seeks any determination or ruling that would materially and adversely affect the validity or enforceability of this Master Agreement, any Supplemental Assignment, or the authority conferred upon the Authority by the CFD.
- (h) No voter initiatives are pending that would affect the Authority's sale and assignment of the right to receive any Special Tax Revenues or would affect the Program.
- (i) With respect to each Supplemental Assignment, when the Authority sells and assigns to Ygrene the right to receive Special Tax Revenues collectible for a Property, the Authority will have the sole right to levy the related Special Tax on the Property and to collect and receive the Special Tax Revenues, as provided in the Act. From and after the Authority's sale and assignment to Ygrene of the right to receive those Special Tax Revenues, the Authority will retain and shall exercise the right to levy the related Special Taxes but will have no interest in the Special Tax Revenues or the right to receive them, provided, that, solely to the extent that the Authority is not separately reimbursed for such charges and costs by a third-party administrator of

the CFD or from another source, the Authority may first deduct from the amounts collected its reasonable and agreed charges for collecting the Special Tax and its reasonable costs for administering the CFD.

- (j) With respect to each Supplemental Assignment—
 - (1) when the Authority sells and assigns to Ygrene the right to receive any Special Tax Revenues collectible for a Property, the Authority will hold title to that right free and clear of all liens, pledges, charges, security interests, or other impediments of any nature; and
 - (2) except as set forth in this Master Agreement, the Authority has not sold, transferred, assigned, set over, or otherwise conveyed and will not sell, transfer, assign, set over, or otherwise convey any right, title, or interest of any kind in all or any portion of the right to receive the Special Tax Revenues, and has not created and will not have created or to its knowledge permitted the creation of any lien on that right or any portion of it.
- (k) The Authority's principal place of business and chief executive office is located at 1215 K Street – STE 1650, Sacramento, CA 95814.
- (l) The Authority shall treat each sale and assignment of the right to receive Special Tax Revenues as a sale for purposes of tax reporting and accounting, and the Authority will not take the position that the right to receive Special Tax Revenues is a part of the debtor's estate if the Authority files a bankruptcy petition or has such a petition filed against it under any bankruptcy law.
- (m) The Authority has received reasonably equivalent value for each right to receive Special Tax Revenues sold and assigned to Ygrene under this Master Agreement and a Supplemental Assignment.

4. The Authority's Covenants.

- (a) The Authority shall not knowingly take any action if taking such action would adversely affect Ygrene's rights to receive Special Tax Revenues that have been conveyed to Ygrene by the Supplemental Assignments or the ability of Ygrene to receive the Special Tax Revenues conveyed to Ygrene by the Supplemental Assignments. The Authority shall not knowingly omit to take any action if omitting to take such action would adversely affect Ygrene's rights to receive Special Tax Revenues that have been conveyed to Ygrene by the Supplemental Assignments or the ability of Ygrene to receive the Special Tax Revenues conveyed to Ygrene by the Supplemental Assignments.
- (b) The Authority shall not knowingly take any action or omit to take any action, and, to the extent the Authority knows of any such action, shall use reasonable efforts to

prevent any action by others, that would release the lien that secures payment of the Special Tax on a Property until the Special Tax has been paid in full. Without the prior written consent of Ygrene, the Authority shall not do any of the following if the effect would be materially adverse to Ygrene: amend, modify, terminate, waive, or surrender a Unanimous Approval Agreement; agree to any amendment, modification, termination, waiver, or surrender of any provision in a Unanimous Approval Agreement; or waive timely performance or observance of any provision in a Unanimous Approval Agreement.

- (c) Subject to Section 1(c) of this Master Agreement, upon request of Ygrene or the Trustee, the Authority shall take all actions necessary to preserve, maintain, and protect Ygrene's title to the Special Tax Revenues and the Trustee's title to the enforcement rights described in Section 1(b) of this Master Agreement.
5. **Payment of Special Tax Revenues.** (a) Subject to Section 1(c) of this Master Agreement, the Authority will endeavor to secure the agreement of the each County in which a Property is located to pay the Special Tax Revenues directly to the Trustee, so that the Special Tax Revenues will not come, even temporarily, into the Authority's possession. If any Special Tax Revenues come into the Authority's possession, then the Authority shall immediately pay such Special Tax Revenues to the Trustee.
- (b) If any delinquent installment of the Special Tax is sold to a County through the County's Teeter Plan as set forth in Section 1(c) of this Master Agreement, the Authority will endeavor to secure the agreement of the County to pay directly to the Trustee an amount equal to one hundred percent (100%) of the amount of such delinquent installment of the Special Tax.
6. **Notices of Breach.** If the Authority or Ygrene discovers that the Authority has breached any of its covenants or that any of the Authority's or Ygrene's representations or warranties is materially false or misleading, and if the breach or false or misleading representation or warranty materially and adversely affects the value of the rights to receive Special Tax Revenues that have been conveyed to Ygrene by the Supplemental Assignments, then the discovering party shall promptly notify the other party and the Trustee in writing.
7. **Indemnification.**
- (a) To the extent permitted by law, the Authority shall indemnify, defend, and hold harmless Ygrene and Ygrene's officers, directors, employees, and agents from and against all liabilities, claims, demands, damages, and costs to the extent they arise out of the Authority's breach of any of its covenants in this Master Agreement or out of any representation or warranty of the Authority in Section 3 of this Master Agreement that is materially false or misleading.

(b) Ygrene shall indemnify, defend, and hold harmless the Authority, its Board, officers, directors, agents, employees and volunteers from and against any and all claims, demands, actions, losses, liabilities, damages, and costs, including reasonable attorneys' fees, arising out of or resulting from the performance of this Master Agreement or any Supplemental Assignment, except to the extent they arise out of the Authority's breach of any of its covenants in this Master Agreement or out of any representation or warranty of the Authority in Section 3 of this Master Agreement that is materially false or misleading.

8. **Limitation on Liability.** Regarding any matter arising under this Master Agreement, the Authority and the Authority's elected officials, officers, employees and agents may rely in good faith on the advice of counsel and on any document that reasonably appears to be properly authorized and signed. The Authority's elected officials, officers, and employees of the Authority are not personally liable for the Authority's representations, warranties, covenants, agreements, or other obligations under this Master Agreement or for any certificates, notices, or agreements delivered under this Master Agreement.

9. **Assignment.**

(a) Ygrene is entitled to assign (including granting a security interest) (i) its rights under this Master Agreement, (ii) its rights under each Supplemental Assignment, and (iii) its rights to receive Special Tax Revenues. Any assignee of any such rights may further assign such rights. Notwithstanding the foregoing, (I) Ygrene shall not assign its rights and obligations set forth in Sections 12(h), 12(k), and 12(n) of this Master Agreement, and such rights and obligations shall remain those of Ygrene notwithstanding any attempted assignment, and (II) references in Sections 12(i), 12(j), 12(l), 14, and 15 of this Master Agreement to Ygrene shall refer to Ygrene Energy Fund California, LLC or any successor thereto, notwithstanding any assignment.

(b) Except as provided in Section 9(a) of this Master Agreement, Ygrene may not assign, transfer, or delegate any of its obligations under this Master Agreement or any Supplemental Assignment without the Authority's prior written consent. Any attempted assignment, transfer, or delegation in violation of the terms of the preceding sentence shall be void.

(c) The Authority may not assign, transfer, or delegate any of its rights or obligations under this Master Agreement without Ygrene's prior written consent. Any attempted assignment, transfer, or delegation in violation of the terms of the preceding sentence shall be void.

(d) If Ygrene assigns (including granting a security interest) any of its rights under this Master Agreement, its rights under any Supplemental Assignment, or its rights to receive Special Tax Revenues, then Ygrene shall promptly notify the Trustee in writing of such assignment and shall provide a copy of such assignment to the Trustee. The notice shall include at least the following information: (i) the effective date of the assignment, (ii) the identity and relevant contact information for the assignee, and (iii)

a description of the specific rights assigned, including information identifying the Property for which the rights have been assigned. From and after the date set forth in such notice as the effective date of the assignment, the Trustee shall in all respects treat the assignee, and not Ygrene, as the beneficiary of the trusts created by this Master Agreement and the relevant Supplemental Assignments with respect to the assigned rights that are identified in the notice and the Property specified in the notice, and such assignee shall be entitled to all of the rights that have been assigned to it. The provisions of this paragraph shall also apply to any further assignment by an assignee. Notwithstanding any other provision, should any assignee make a further assignment, then, to the extent of such further assignment, such assignee shall no longer be considered to be an assignee hereunder.

10. Reliance on Representations, Warranties, and Covenants; Survival. The Authority and Ygrene agree and acknowledge that the Trustee, the Authority and Ygrene have relied on, will continue to rely on, and are entitled to rely on the Authority's and Ygrene's representations and warranties in Sections 2 and 3 of this Master Agreement and the Authority's covenants in Section 4 of this Master Agreement. The Authority's and Ygrene's representations and warranties in Sections 2 and 3 of this Master Agreement and the Authority's covenants in Section 4 of this Master Agreement—

- (a) will survive (i) the sale and assignment of rights to receive Special Tax Revenues to Ygrene, (ii) the sale and assignment to the Trustee set forth in Section 1(b) of this Master Agreement, and (iii) any assignment (including any grant of a security interest) of rights under this Master Agreement, rights under any Supplemental Assignment, or rights to receive Special Tax Revenues by Ygrene to any assignee, or by any assignee to a further assignee;
- (b) will continue in full force notwithstanding any change in the authority conferred upon the Authority by the CFD; and
- (c) will inure to the benefit of Ygrene and any assigns.

11. Ygrene's Acknowledgment. Ygrene agrees and acknowledges that, the Authority is irrevocably selling and assigning (i) to Ygrene the rights to receive Special Tax Revenues, without recourse to the Authority and without any representation or warranty, except as expressly set forth herein, and (ii) to the Trustee the enforcement rights described in Section 1(b) of this Master Agreement, without recourse to the Authority and without any representation or warranty, except as expressly set forth herein.

12. Trustee Provisions.

- (a) The Authority and Ygrene hereby appoint the Trustee to act as trustee for the benefit of Ygrene with respect to the enforcement rights described in Section 1(b) of this Master Agreement, and the Trustee accepts such appointment.

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- (b) The Trustee is hereby instructed by Ygrene and the Authority to, and the Trustee hereby agrees to, accept and hold in trust for the benefit of Ygrene the Special Tax Revenues transferred to the Trustee under Section 5 of this Master Agreement or collected by it through judicial foreclosure and distribute the Special Tax Revenues for each Property as directed in writing by Ygrene.
- (c) The Trustee is hereby instructed by Ygrene and the Authority to, and the Trustee hereby agrees to, accept and hold in trust for the benefit of Ygrene all present or future rights of the Authority to enforce or cause the enforcement of the payment of any delinquent Special Tax collectible for each Property through judicial foreclosure, in trust, for the benefit of Ygrene. The Trustee hereby agrees that it will not initiate any such judicial foreclosure proceeding against any Property to enforce a delinquent installment of the Special Tax if the applicable County shall have paid, and the Trustee shall have received, one hundred percent (100%) of the amount of such delinquent installment of the Special Tax through the County's so-called "Teeter Plan," if any.
- (d) Except as otherwise provided in Sections 1(b) and 12(c) of this Master Agreement, if directed in writing by Ygrene and upon receiving indemnification satisfactory to it, the Trustee will initiate foreclosure proceedings as authorized by the Act in order to enforce the lien of each delinquent installment of the Special Tax for any Property and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale.
- (e) The recitals of fact herein shall not be taken as statements of the Trustee, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Master Agreement or any Supplemental Assignment and the Trustee shall incur no liability in respect thereof. The Trustee shall be under no responsibility or duty with respect to the application of any moneys properly paid to it except as provided herein or as otherwise expressly agreed by the Trustee. The Trustee shall be under no obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any suit in respect of this Master Agreement or any Supplemental Assignment or to advance any of its own moneys, unless indemnified to its reasonable satisfaction. The Trustee shall not be liable in connection with the performance of its duties under this Master Agreement or any Supplemental Assignment except for its own negligence or willful misconduct.
- (f) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Master Agreement and each Supplemental Assignment. The Trustee shall not take any discretionary action under this Master Agreement or any Supplemental Assignment without the written approval of Ygrene and shall take such discretionary action permitted or required under the Master Agreement and any Supplemental Assignment, as may be directed in writing by Ygrene.

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- (g) The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Master Agreement or any Supplemental Assignment, shall examine such instrument to determine whether it conforms to the requirements of this Master Agreement or any Supplemental Assignment and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel selected by it in respect of any action taken or suffered by the Trustee under this Master Agreement or any Supplemental Assignment. Specifically, and without limiting the foregoing, the Trustee may rely upon directions, instructions and information given or provided to it by Ygrene or persons or entities acting on its behalf, as set forth in this Master Agreement or any Supplemental Assignment, without further review thereof (other than examining such instrument to determine whether it conforms to the requirements of this Master Agreement and any Supplemental Assignment), and shall not be liable or responsible for the accuracy of the contents contained in such directions, instructions and information or for taking any actions on the basis thereof.
- (h) Ygrene has agreed to pay, or provide for payment of, the Trustee's fees and expenses from time to time as set forth in a separate agreement between Ygrene and the Trustee as compensation for all services rendered by the Trustee under this Master Agreement and any Supplemental Assignment. The Trustee shall not have a lien on any moneys or other assets at any time held or received by it under this Master Agreement or any Supplemental Assignment.
- (i) The Trustee may resign at any time and be discharged of the duties and obligations created by this Master Agreement and all Supplemental Assignments by giving not less than sixty (60) days' written notice to the Authority, Ygrene, and all assignees with respect to which the Trustee has received notice pursuant to Section 9(d) of this Master Agreement. No resignation shall become effective until the acceptance of appointment by a successor Trustee. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 60 days after the giving of such notice of resignation, the retiring Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.
- (j) The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by Ygrene and all assignees with respect to which the Trustee has received notice pursuant to Section 9(d) of this Master Agreement and filed with the Trustee; provided that no removal shall become effective until the acceptance of appointment by a successor Trustee.
- (k) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any

public officer shall take charge or control of the Trustee, or of its property or affairs, Ygrene shall appoint a successor Trustee.

- (l) Any successor Trustee appointed under this Master Agreement shall execute, acknowledge and deliver to its predecessor, and also to the Authority, Ygrene and all assignees with respect to which notice has been provided to the predecessor Trustee pursuant to Section 9(d) of this Master Agreement, an instrument accepting such appointment and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named; but the Trustee ceasing to act nevertheless, shall execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as reasonably may be required for more fully and certainly vesting and confirming in such successor all the right, title and interest of the predecessor Trustee in and to any property held by it under this Master Agreement and any Supplemental Assignment, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in or pursuant to this Master Agreement and all Supplemental Assignments. Should any deed, conveyance or instrument in writing from the Authority or Ygrene be required by such successor Trustee for more fully and certainly vesting in and confirming any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged and delivered by the Authority and Ygrene.
- (m) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it may be party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, and shall be authorized by law to perform all the duties imposed upon it by this Master Agreement and all Supplemental Assignments, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.
- (n) Ygrene shall indemnify, defend, and hold harmless the Trustee against any loss, damages, liability, or expense incurred without negligence or bad faith on the part of the Trustee and arising out of or in connection with the acceptance or administration of the trusts created by this Master Agreement and all Supplemental Assignments, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers under this Master Agreement or any Supplemental Assignment. The rights of the Trustee and the obligations of Ygrene under this paragraph shall survive the resignation or removal of the Trustee.

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13. **Notices.** Any notice or other communication under this Master Agreement must be in writing and will be considered properly given and effective only when mailed or delivered in the manner provided by this Section 13 to the persons identified below. A notice or other communication that is mailed will be effective or will be considered to have been given on the third day after it is deposited in the U.S. Mail (certified mail and return receipt requested), addressed as set forth below, with postage prepaid. A notice or other communication sent in any other manner will be effective or will be considered properly given when actually delivered. A party may change its address for these purposes by giving written notice of the change to the other party in the manner provided in this Section 13.

If to the Authority:

California Home Finance Authority
1215 K Street – SU 1650
Sacramento, CA 95814

If to Ygrene:

Ygrene Energy Fund California, LLC
100B Street – SU 210
Santa Rosa, CA 95401

If to the Trustee:

Zions First National Bank
Corporate Trust Division
550 South Hope Street – SU 2875
Los Angeles, CA 90071

14. **Amendments.** The Authority, Ygrene, and the Trustee may amend this Master Agreement, without the consent of any assignee, to cure any ambiguity or to correct any provision in this Master Agreement. Except as set forth in the preceding sentence, this Master Agreement may not be amended without the written consent of the Authority, the Trustee, Ygrene, and each assignee with respect to which the Trustee has received notice pursuant to Section 9(d) of this Master Agreement.
15. **Third Party Rights.** Each assignee of rights to receive Special Tax Revenues is an express and intended third-party beneficiary of this Master Agreement. This Master Agreement does not give any person or entity other than the Authority, Ygrene, the Trustee, and each assignee with respect to which the Trustee has received notice pursuant to Section 9(d) of this Master Agreement, any benefit or legal or equitable right, remedy, or claim.
16. **Severability.** If any court with jurisdiction rules that any part of this Master Agreement is invalid, unenforceable, or contrary to law or public policy, then the rest of this Master Agreement remains valid and fully enforceable.
17. **Interpretation.** This Master Agreement is to be interpreted and applied in accordance with California law. Exhibit A is part of this Master Agreement.

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18. **Venue.** Any legal action brought under this Master Agreement must be instituted in the Superior Court of the County of Sacramento, State of California.
 19. **Effective Date.** This Master Agreement is effective when all parties have signed it.
 20. **Counterparts.** The parties may sign this Master Agreement in counterparts, each of which will be considered an original, but all of which will constitute the same agreement.
 21. **Entire Agreement.** This Master Agreement sets forth the parties' entire understanding regarding the matters set forth above and is intended to be their final, complete, and exclusive expression of those matters.

(Signature page follows)

California Home Finance Authority

By: _____
Signature of authorized person

Print signatory's name

Print signatory's title

Ygrene Energy Fund California, LLC

By: _____
Signature of authorized person

Print signatory's name

Print signatory's title

Zions First National Bank, as trustee

By: _____
Signature of authorized person

Print signatory's name

Print signatory's title

EXHIBIT A TO MASTER ASSIGNMENT
FORM OF SUPPLEMENTAL ASSIGNMENT

This Supplemental Assignment, dated _____, for reference, is made by the California Home Finance Authority, a California joint exercise of powers authority (the "Authority") in favor of (i) Ygrene Energy Fund California, LLC, a California limited-liability company ("Ygrene"), and (ii) Zions First National Bank, a national banking association organized and existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee"), including its successors and assigns under the Master Assignment Agreement, defined below.

1. The Authority, Ygrene, and the Trustee have entered into a Master Assignment Agreement dated _____, pertaining to the Authority's Community Facilities District No. 2014-1 (Clean Energy) (the "CFD").
2. This is a "Supplemental Assignment" as that term is defined in the Master Agreement, and all of the terms of the Master Agreement are incorporated herein. If there are inconsistencies between the terms of the Master Agreement and this Supplemental Assignment, the terms of the Master Agreement shall control.
3. This Supplemental Assignment applies to the following real property within the CFD (the "Property"):

i. Street Address:		
ity:	tate:	ip:
PN:	v.	vi.

4. In consideration of the arrangement by Ygrene of financing for the improvements for the Property in accordance with the procedures and authority of the CFD and the provisions of the Unanimous Approval Agreement, and subject to the terms of the Master Agreement, the Authority does hereby—
 - (a) sell and assign to Ygrene, without recourse to the Authority except as expressly provided in the Master Agreement, all of the Authority's rights to receive the Special Tax Revenues collectible for the Property; and
 - (b) sell and assign to the Trustee, in trust, for the benefit of Ygrene, without recourse to the Authority except as expressly provided in the Master Agreement, all present or future rights of the Authority to enforce or cause the enforcement of the payment of any delinquent Special Tax collectible for the Property through judicial foreclosure.
5. This Supplemental Assignment is effective upon execution and delivery hereof by the Authority.

CALIFORNIA HOME FINANCE AUTHORITY

vii. _____
viii. **Print Name of Authorized Person**

xi. _____
xii. **Signature of Authorized Person**

**CALIFORNIA CLEAN ENERGY PROGRAM
CALIFORNIA HOME FINANCE AUTHORITY**

SB 555 RESIDENTIAL PROGRAM HANDBOOK

The California Home Finance Authority ("the Authority") has established a community facilities district for operation of its California Clean Energy PACE funding program (the "Program"). For details of the District formation, please refer to the California Clean Energy Hearing Report. In order to apply for Program financing, property owners must read and acknowledge receipt of the Hearing Report and this Program Handbook.

The Program Handbook, along with the documents you will execute with your participation in the Program (the "Program Documents"), outlines the Program process and requirements. It is important that property owners understand the provisions of this Program Handbook and the attached Program Documents. The Authority has contracted with Ygrene Energy Fund ("Ygrene") to act as the Program Administrator. Ygrene reserves the right to amend this Program Handbook from time to time.

1. Purpose of the Program

The Program helps owners finance the installation of a wide range of energy efficiency and water conservation improvements on their property. The financing and the administrative costs are repaid through voluntary special taxes that are added to your property tax bill. Because there are many types of financing available, we recommend that you investigate whether this is your best financing option, and seek help from your finance or tax professionals if you have questions.

2. Summary of the Program Process

As discussed in more detail below, obtaining Program financing involves the following steps. In many cases residential property owners may be able to obtain a notice to proceed with their project in a few minutes.

- Determine that you meet the eligibility requirements (see 'Eligibility').
- Apply either directly or through a Certified Contractor of your choosing (see 'Applications').
- Pay the application fee.
- Authorize Ygrene to notify your lender that you intend to participate in the Program.
- Receive a Notice of Approval from Ygrene.
- Sign and notarize or electronically verify signatures for the Unanimous Approval Agreement.
- Submit a Construction Contract through your Certified Contractor for the installation of the improvements (Authorized Improvements) on your property.

- Receive a Notice to Proceed and authorize your contractor to begin construction.
- Submit a Payment Request upon project completion.
- Pay the special tax when it appears on your property tax bill.

3. Eligibility

The Program can be used to finance Authorized Improvements on all types of private property - residential, commercial, industrial and agricultural. This Program Handbook sets forth the terms and conditions that are applicable to residential properties:

- The property must be located within a city or county that has agreed to participate in the Program.
- All of the owners of the property, including authorized representatives of any entities or trusts, must sign the Program Documents. Therefore, before submitting an application, you must ensure that each person or business entity with an ownership interest will agree to participate.
- Payments must be current for all obligations secured by the property including loans, property taxes, assessments and tax liens and no owner may be in bankruptcy. Certain allowances may be made for property tax payment delays that do not reflect financial distress.
- The total debt secured by the property (before the addition of the Program financing) cannot exceed 90% of the fair market value. To determine this Ygrene will check mortgages, equity lines of credit, assessments and tax liens.
- In some cases Ygrene may request additional information during the approval process. These requests are common when residential property is held by trusts or entities other than individuals; but may be made for other reasons at Ygrene's discretion.

Please see the list of underwriting criteria and considerations attached as Exhibit C.

4. Application

If you want to participate in the Program, you must submit an online application and pay an application fee. Ygrene provides telephone assistance for property owners who have questions, need help applying, or would prefer to fill out a paper form. In addition, Certified Contractors are familiar with the application process and can coordinate with Ygrene on your behalf. Following are the steps:

- Submit an application form, either online or printed and signed, and the required application fee.
- Following review by Ygrene, applicants will receive a Notice of Approval, a Notice of Denial or a request for additional information. This process can take as little as ten minutes.
- At the time Ygrene issues your Notice of Approval, it will submit notification forms on your behalf to all lenders with secured loans on your property.
- Once your application is approved a Ygrene representative will prepare electronic documents for signature by all property owners. These documents include the Unanimous Approval Agreement which is the financing agreement through which you agree to annex your property into the District, agree to pay the special tax when due and authorize recordation of the special tax lien on

your property. You have three days after signing to cancel the agreement if you decide not to participate in the Program.

- Once it confirms approval, Ygrene can process information received from your Certified Contractor in preparation for issuing a Notice to Proceed with construction (see Project Approval below).
- Should your application be denied for any reason, the Notice of Denial will include recommended remedial action that you can pursue.

5. General Provisions

The following apply to all projects submitted for funding under the Program:

- Only Authorized Improvements are eligible for funding. A list of Authorized Improvements is provided in Appendix A. You should consult with your Certified Contractor to ensure that the improvements installed on your property qualify under the Program guidelines.
- Neither the Authority nor Ygrene is responsible for the installation of the Authorized Improvements or their performance. The Certified Contractor that provides construction services for your project works for you and you should be sure that you are satisfied with the quality and completeness of their work before authorizing payments.
- Under the PACE law, Authorized Improvements must be permanently affixed to the property. Free-standing appliances, light bulbs and similar products that can be unplugged and removed from the property are not Authorized Improvements.
- Authorized Improvements must be installed by Certified Contractors that are listed on the Program website or available from a Ygrene customer service representative, or you may install the improvements yourself. If you choose to do the work yourself, Program financing will not cover the cost of your labor and only the material and equipment costs will be funded. Sub-contractors may work under the supervision of a Certified Contractor without being certified by the Program.
- The minimum Program funding is \$2,500.
- The total of all Program funding on your property cannot exceed (i) 15% of the fair market value of the property, (ii) an amount that, when added to your existing secured indebtedness, exceeds 100% of the fair market value of the property, or (iii) the final cost of installing the Authorized Improvements, including Program fees and applicable capitalized interest. In no event will Program funding exceed the amount authorized under applicable Program policies or State law.

6. Contractors and Construction

You can begin working with a Certified Contractor before or after you apply to the Program. If you consult with them early, you may be able to submit for project approval at the time you apply. Ygrene cannot issue a notice to proceed with construction until you select a Certified Contractor and provide information about the nature and cost of improvements you wish to finance. This information can be in the form of a Construction Contract or project cost breakdown. The following are the steps that lead to construction authorization:

- Select a contractor that is currently certified or ask your contractor to obtain Program certification. A list of Certified Contractors is available on the Program website or from a Ygrene customer

service representative. You may wish to obtain bids and advice from more than one Certified Contractor.

- Work with your selected Certified Contractor to determine project scope, obtain bids, verify that the proposed work qualifies for funding and help complete the approval process with Ygrene.
- Once Ygrene approves the project, it will prepare the Unanimous Approval Agreement and other financing documents and submit them to you for electronic signatures. All owners of the property must sign these documents and obtain electronic third party verification of their signatures.
- As soon as Ygrene receives completed documents, it can authorize construction with a Notice to Proceed. If you select your Certified Contractor early, and we don't encounter questions during the underwriting process, application, project approval and document preparation can often be completed in a few minutes.
- If you begin construction prior to receipt of Ygrene's Notice to Proceed, you run the risk of not qualifying for Program funding.
- If Ygrene denies the project, it will issue a Notice of Denial letter that outlines remedies you may employ to obtain approval.

7. Funding

- Once your Certified Contractor completes installation of the Authorized Improvements, they can help you submit a Payment Request. They will also be required to provide the project verification documents listed below. Ygrene will review your submittal, produce final Program forms, and email or mail them to you in accordance with your instructions. Once Ygrene receives the executed documents it will schedule funding – usually within a few days. The following are requirements for funding:
 - i. A final sign-off on the building permit for the project from the authorized building official in the participating jurisdiction.
 - ii. Final invoices and lien releases from all Certified Contractors and any sub-contractors or materials providers who worked on the project.
 - iii. A signed Estimated Settlement Statement
 - iv. A signed Right to Receive Financing Proceeds form if the payment is to be assigned to someone other than the property owner.
- Unless Ygrene authorizes additional time, property owners must sign and return the closing documents to Ygrene within seven (7) days following transmittal of a Payment Request or the request may expire. In that event, an updated Payment Request will be required. If the Program interest rate changes between the date of the original funding request and an updated request, the interest rate may increase.
- Following final review Ygrene will reconfirm eligibility of the project and the final special tax details and approve issuance of checks or bank wires in accordance with your instructions.
- In the event you cancel the financing after submitting a request for funding, all expenses incurred by the Program for recording and removing tax liens, preparing documents and other district and Ygrene costs will be your responsibility. Property owners may also be responsible for expenses incurred by contractors according to their construction agreements. Under no circumstances does the Authority or Ygrene have any obligation to release funds if the work has not been completed.

8. Repayment

- In order to receive funding, property owners agree to pay special taxes in an amount adequate to repay the financing including (i) the principal amount received from the Program, (ii) interest on the principal amount received from the Program and (iii) initial and on-going administrative expenses.
- Principal. This is the total amount disbursed at closing. It can include construction and materials costs, Program fees, permits, energy audit expenses, application fees and capitalized interest (see "Capitalized Interest" below).
- Interest Rate. This is the interest rate that is applied to the Principal in the amortization schedule that calculates the annual special tax payment required to repay the financing. The interest rate will be fixed for the full term of the financing. The rate will be set on the date the property owner signs the Unanimous Approval Agreement and will be locked for the then applicable rate-lock period as published on the Program website and/or available by contacting Ygrene.
- Capitalized Interest. Because special taxes are placed on County tax rolls only once each year, it may be several months before special taxes appear on your property tax bill. Consequently, interest from the funding date until the special tax is placed on the tax roll will be added to the funding and you will have no payments for that period. Ygrene estimates capitalized interest on the Estimated Settlement Statement and itemizes the final amount on the Final Closing Statement.
- Prepayment. In the event you elect to pay the special taxes in full before the end of the financing term, Ygrene may impose a prepayment premium not to exceed 5% of the unpaid principal balance on the special tax obligations. You should ask your Certified Contractor or a Ygrene customer service representative whether a prepayment premium will apply to your financing.

9. Program Fees

The following charges apply to the Program. Ygrene may change these charges from time to time in response to increases or decreases in the cost of providing Program services.

RESIDENTIAL PROGRAM FEE SCHEDULE

Application	\$50	Upon application submittal
Processing & Underwriting	\$250 Maximum	At disbursement*
Documentation	\$200 Maximum	At disbursement*
Program Cost Recovery	Not to exceed 1% minimum \$100	At disbursement*
Funding Fee	Not to exceed 4%	At disbursement*

*These charges may be included in the principal amount to be financed.

The Auditor Controller in each county charges an annual fee for placing special taxes on the property tax roll. The tax administrator, trustee and loan servicer have similar fees. These fees are estimated to be approximately \$50 per year, but may be more in some counties.

9. Special Taxes & Foreclosures

A property owner must pay the agreed upon special tax regardless of personal financial circumstances, the condition of the property, or the performance of the Authorized Improvements. Property owners should not apply for financing if they are not certain they can meet the special tax obligations. The failure to pay property taxes in full or in part will result in financial repercussions including penalties, interest and possibly foreclosure. If property owners use an escrow account (impound) to pay their property taxes, they should notify the escrow company of the special tax. In such cases, property owners should increase monthly payments to the escrow account by an amount equivalent to the annual special tax, divided by 12 months.

10. Compliance with Existing Mortgages

Recordation of the Notice of Special Tax Lien will establish a continuing lien as security for the obligation to pay the special taxes. The lien will be senior to private liens, including existing mortgage(s). Many mortgage and loan documents limit the ability of borrowers to place senior liens on their property without the consent of the lender. In 2010, and again as recently as August of 2014, the Federal Housing Finance Agency issued policy guidelines that question special tax liens. Program participants are encouraged to confirm with their lender(s) that participation in the Program does not violate their existing loan documents. When it approves your application Ygrene notifies lenders on your behalf of your intention to participate in the Program.

11. Sale of the Property

Because ownership of any Authorized Improvements on the property transfers to the buyer when you sell your home, if you sell your property prior to the end of the financing term the new owner can assume the special taxes. You are obligated to make all legally required disclosures regarding the existence of the special tax lien on the property.

12. Rebates and Taxes

Participation in this Program does not reduce incentives available through federal, state, utility or other rebate programs. More information on available programs can be found online or through Certified Contractors. Property owners should consult with their tax advisors with respect to the state and federal tax benefits and consequences of participating in the Program.

13. Changes in Program Terms

Program terms, including interest rates and underwriting requirements, can change at any time. However, no such changes will affect your obligation to pay special taxes in accordance with the Program Documents. Participation in the Program is subject to the requirements of Hearing Report, Program Handbook and Program Documents in effect at the time you apply for financing.

APPENDIX A

AUTHORIZED IMPROVEMENTS

The Program offers financing for a variety of energy-efficiency improvements, water conservation improvements, solar and other distributed generation systems, and electric vehicle charging infrastructure. In each case, any rebates received by or approved for property owners prior to funding must be deducted from the amount of financing requested. In addition, property owners are encouraged to pursue the most cost effective improvements (or combination of improvements) to maximize their long-term utility savings and return on investment. This list is not intended to be comprehensive. Any projects that measurably save energy beyond the level required by legislation, or that generate renewable energy or add to the conservation of water resources, can be financed through the program. Consult the Program Administrator for details.

Energy-Efficiency Improvements

- Air sealing and ventilation
- Air filtration
- Building envelope
- Duct leakage and sealing
- Bathroom, ceiling, attic, and whole-house fans
- Insulation
- Defect correction
- Attic, floor, walls, roof, ducts
- Weather-stripping
- Sealing
- Geothermal exchange heat pumps
- HVAC systems
- Evaporative coolers (coolers must have a separate ducting system from ducting for air-conditioning systems and heating systems)
- Natural-gas-storage water heater
- Tank-less water heater
- Solar-water-heater system
- Reflective insulation or radiant barriers
- Cool roof
- Windows and glass doors (U value of 0.40 or less and solar-heat-gain coefficient of 0.40 or less)
- Window filming
- Skylights
- Solar tubes
- Additional building openings to provide additional natural light
- Lighting (fixture retrofits only)
- Pool equipment (circulating pumps, etc.)

Other Non-residential Building Improvements

- Occupancy-sensor lighting fixtures
- SMART parking-lot bi-level fixture
- SMART parking-garage bi-level fixtures
- SMART pathway lighting
- SMART wall-pack fixtures
- Task ambient office lighting
- Classroom lighting
- Refrigerator case LED lighting with occupancy sensors
- Wireless daylight-lighting controls
- Kitchen exhaust variable air-volume controls

- Wireless HVAC controls & fault detection

Renewable-Energy Improvements (Photovoltaic and Solar-Thermal Equipment)

- Solar thermal hot-water systems
- Solar thermal systems for pool heating
- Photovoltaic systems (electricity)
- Emerging technologies

Water-Conservation Improvements

- Faucet aerators
- Core-plumbing systems
- Gray-water systems
- Instantaneous hot-water heaters
- Recirculation hot-water systems
- Demand initiated hot-water systems
- Hot-water pipe insulation
- Irrigation-control systems
- Irrigation systems
- Rainwater cisterns
- Low-flow showerheads
- High-efficiency toilets
- Demand water softeners
- Whole-house water-manifold systems

The following water-conservation improvements are approved for non-residential applications:

- Cooling-condensate reuse
- Cooling-tower conductivity controllers
- Deionization equipment
- Filter upgrades
- Foundation drain water
- Industrial-process water-use reduction
- Pre-rinse spray valves
- Recycled water sources
- Urinals
- Waterless urinals

Custom Improvements

The Program Administrator can evaluate and approve financing for Eligible Improvements that are not “off the shelf” (“Custom Improvements”). Custom Improvements may involve large-scale industrial or commercial energy-efficiency improvements; processing or industrial mechanical systems; and renewable energy generation from sources such as geothermal and fuel cells. Custom Improvements that will be considered for Program funding include the following:

- Building energy-management controls
- HVAC duct zoning-control systems
- Irrigation pumps and controls
- Lighting controls
- Industrial- and process-equipment motors and controls
- Fuel cells
- Wind-turbine power systems
- Natural gas
- Hydrogen fuel
- Electric Vehicle charging stations
- Other fuel sources (emerging technologies)

- Co-generation (heat and energy)

**APPENDIX B
SAMPLE THREE-DAY RIGHT TO CANCEL**

Your Right to Cancel

You are entering into an Assessment Contract for financing under the Program that will result in an assessment lien being placed on your property at the following address:

Ygrene is offering you the right to cancel this transaction without cost within three (3) business days from the date you execute the Unanimous Approval Agreement.

If you cancel this transaction during this three-day period, the Authority will not record the special tax lien on the property.

Acknowledgement of Receipt

I/We hereby acknowledge reading and receiving a copy of this Notice of Right to Cancel.

_____, 20____
Owner No.1 Signature Date

_____, 20____
Owner No. 2 Signature Date

_____, 20____
Owner No.3 Signature Date

_____, 20____
Owner No. 4 Signature Date

How to Cancel

If you decide to cancel this transaction, you must notify the Program Administrator in writing at 100 B Street, Santa Rosa, CA 95401 or by emailing your cancellation to laura.choi@ygrene.us. You may use any written statement that is signed and dated by you and states your intention to cancel, or you may use this notice by dating and signing below.

I Wish to Cancel

_____, 20____
Owner Signature Date

I would like to cancel my Assessment Contract for the reason(s) described below:

APPENDIX C UNDERWRITING REQUIREMENTS

Underwriting. All property owners, and improved properties in the District(s) that meet the Program's criteria for approved property types, must meet the following underwriting criteria for participation:

- **Address**. The property must be improved or will be improved by the project, be located within the District(s) and must be on the property tax rolls or capable of being added to the rolls.
- **Applicant**. All owners of record must agree to participate and be willing to execute the Financing Agreement.
- **Mortgage Debt**. Prior to Program funding, mortgage debt must not exceed a certain percentage of the market value of the property as set forth on the Program website. Total debt on the property including Program financing must not exceed the market value of the property. For property owners who obtain lender consent, these requirements may be waived.
- **Mortgage Payments**. Property owners must have no recorded notice of default on the property during the period specified on the Program website. For property owners who obtain lender consent, this requirement may be waived.
- **Property Taxes**. Property owners must be current on their property taxes.
- **Bankruptcy**. Property owners must not be in bankruptcy.
- **Involuntary Liens**. There must be no involuntary liens on the property that reflect financial distress.
- **Maximum Financing**. Funding requests must not exceed limits provided by the Act. Projects with funding requests exceeding \$100,000 may require additional underwriting during the project approval phase.
- **Minimum Financing**. Minimum funding request is \$2,500.
- **Other**: Property owners must authorize Ygrene to notify all existing mortgage holders of their intent to participate in the program.
- Property owners may be asked to provide utility records for the property for the two years prior to completion of the project.
- For property owners whose FICO score is 700 or greater, as reported by Equifax, Experian, TransUnion or other reputable national credit bureau, the requirements above related to mortgage debt currency, late payment of mortgages, property tax currency and involuntary liens may be waived.

These requirements may change from time to time. The most up-to-date Program requirements are available on the Program website or from a Ygrene customer service representative.



**CALIFORNIA CLEAN ENERGY PROGRAM
CALIFORNIA HOME FINANCE AUTHORITY**

SB 555 COMMERCIAL PROGRAM HANDBOOK

The California Home Finance Authority (**"the Authority"**) has established a community facilities district for operation of its California Clean Energy PACE funding program (the **"Program"**). For details of the District formation, please refer to the California Clean Energy Hearing Report. In order to apply for Program financing, property owners must read and acknowledge receipt of the Hearing Report and this Program Handbook.

The Program Handbook, along with the documents you will execute with your participation in the Program (the **"Program Documents"**), outlines the Program process and requirements. It is important that property owners understand the provisions of this Program Handbook and the attached Program Documents. The Authority has contracted with Ygrene Energy Fund (**"Ygrene"**) to act as the Program Administrator. Ygrene reserves the right to amend this Program Handbook from time to time.

1. Purpose of the Program

The Program helps owners finance the installation of a wide range of energy efficiency and water conservation improvements on their property. The financing and the administrative costs are repaid through voluntary special taxes that are added to your property tax bill. Because there are many types of financing available, we recommend that you investigate whether this is your best financing option, and seek help from your finance or tax professionals if you have questions.

2. Summary of the Program Process

As discussed in more detail below, obtaining Program financing involves the following steps.

- Determine that your property meets the eligibility requirements (see 'Eligibility').
- Apply either directly or through a Certified Contractor of your choosing (see 'Applications').
- Pay the application fee.
- Authorize Ygrene to notify your lender or lenders that you intend to participate in the Program.
- Receive a Notice of Approval from Ygrene.
- Sign and notarize or electronically verify signatures for the Unanimous Approval Agreement.
- Submit a Construction Contract through your Certified Contractor for the installation of the improvements (Authorized Improvements) on your property.
- Receive a Notice to Proceed and authorize your contractor to begin construction.

- Submit a Payment Request upon project completion.
- Pay the special tax when it appears on your property tax bill.

3. Eligibility

The Program can be used to finance Authorized Improvements on all types of commercial property – office, retail, industrial, agricultural. Contact Ygrene or your Certified Contractor if you have questions about the improvements you wish to install. This Program Handbook sets forth the terms and conditions that are applicable to most commercial properties:

- The property must be located within a city or county that has agreed to participate in the Program.
- All of the owners of the property, including authorized representatives of any entities that are on title, must sign the Program Documents. Therefore, before submitting an application, you must ensure that each person or business entity with an ownership interest will agree to participate.
- Payments must be current for all obligations secured by the property including loans, property taxes, assessments and tax liens and no owner may be in bankruptcy. Certain allowances may be made for property tax payment delays that do not reflect financial distress.
- The total debt secured by the property (before the addition of the Program financing) cannot exceed 90% of the fair market value. To determine this Ygrene will check mortgages, equity lines of credit, assessments and tax liens.
- In some cases Ygrene may request additional information during the approval process. These requests are common when commercial property is held by trusts or entities other than individuals; but may be made for other reasons at Ygrene's discretion.

Please see the list of underwriting criteria and considerations attached as Exhibit C.

4. Application

If you want to participate in the Program, you must submit an online application and pay an application fee. Ygrene provides telephone assistance for property owners who have questions, need help applying, or would prefer to fill out a paper form. In addition, Certified Contractors are familiar with the application process and can coordinate with Ygrene on your behalf. Following are the steps:

- Submit an application form, either online or printed and signed, and the required application fee.
- Following review of the Application by Ygrene, you will receive a Notice of Approval, a Notice of Denial or a request for additional information. In some cases a Ygrene representative will contact you to obtain additional information about ownership and other elements of your project prior to issuing a notice
- At the time Ygrene issues your Notice of Approval, it will submit notification forms on your behalf to all lenders with secured loans on your property.
- Once your application is approved a Ygrene representative will prepare electronic documents for signature by all property owners. These documents include the Unanimous Approval Agreement

which is the financing agreement through which you agree to annex your property into the District, agree to pay the special tax when due and authorize recordation of the special tax lien on your property. You have three days after signing to cancel the agreement if you decide not to participate in the Program.

- Once it confirms approval, Ygrene can process information received from your Certified Contractor in preparation for issuing a Notice to Proceed with construction (see Project Approval below).
- Should your application be denied for any reason, the Notice of Denial will include recommended remedial action that you can pursue.

5. General Provisions

The following apply to all projects submitted for funding under the Program:

- Only Authorized Improvements are eligible for funding. A list of Authorized Improvements is provided in Appendix A. You should consult with your Certified Contractor to ensure that the improvements you plan to install on your property qualify under the Program guidelines.
- Neither the Authority nor Ygrene is responsible for installation of the Authorized Improvements or their performance. The Certified Contractor that provides construction services for your project works for you and you are responsible to approve the quality and completeness of their work before authorizing payments..
- Under the PACE law, Authorized Improvements must be permanently affixed to the property. Free-standing appliances, light bulbs and similar products that can be unplugged and removed from the property are not Authorized Improvements.
- Authorized Improvements must be installed by Certified Contractors that are listed on the Program website or available from a Ygrene customer service representative. Sub-contractors may work under the supervision of a Certified Contractor without being certified by the Program.
- The minimum Program funding is \$2,500, however commercial underwriting and title costs can result in fees that make Program financing impractical for very small commercial projects.
- The total of all Program funding on your property cannot exceed (i) 15% of the fair market value of the property, (ii) an amount that, when added to your existing secured indebtedness, exceeds 100% of the fair market value of the property, or (iii) the final cost of installing the Authorized Improvements, including Program fees and applicable capitalized interest. In no event will Program funding exceed the amount authorized under applicable Program policies or State law.

6. Contractors and Construction

You can begin working with a Certified Contractor before or after you apply to the Program. If you consult with them early, you may be able to submit for project approval at the time you apply. Ygrene cannot issue a notice to proceed with construction until you select a Certified Contractor and provide information about the nature and cost of improvements you wish to finance. This information can be in the form of a Construction Contract or project cost breakdown. The following are the steps that lead to construction authorization:

- Select a contractor that is currently certified or ask your contractor to obtain Program certification. A list of Certified Contractors is available on the Program website or from a Ygrene customer

service representative. You may wish to obtain bids and advice from more than one Certified Contractor.

- Work with your selected Certified Contractor to determine project scope, obtain bids, verify that the proposed work qualifies for funding and help complete the approval process with Ygrene.
- Once Ygrene approves the project, it will prepare the Assessment Contract and other financing documents and submit them to you for electronic signatures. All owners of the property must sign these documents and obtain electronic third party verification of their signatures.
- As soon as Ygrene receives completed documents, it can authorize construction with a Notice to Proceed. It will help expedite approvals if you select and consult with your Certified Contractor early in the process.
- If you begin construction prior to receipt of Ygrene's Notice to Proceed, you run the risk of not qualifying for Program funding.
- If Ygrene denies the project, it will issue a Notice of Denial letter that outlines remedies you may employ to obtain approval.

7. Funding

- Once your Certified Contractor completes installation of the Authorized Improvements, they can help you submit a Payment Request. They will also be required to provide the project verification documents listed below. Ygrene will review your submittal, produce final Program forms, and email or mail them to you in accordance with your instructions. Once Ygrene receives the executed documents it will schedule funding – usually within a few days. The following are requirements for funding:
 - i. A final sign-off on the building permit for the project from the authorized building official in the participating jurisdiction.
 - ii. Final invoices and lien releases from all Certified Contractors and any sub-contractors or materials providers who worked on the project.
 - iii. A signed Estimated Settlement Statement
 - iv. A signed Right to Receive Financing Proceeds form if the payment is to be assigned to someone other than the property owner.
- Unless Ygrene authorizes additional time, property owners must sign and return the closing documents to Ygrene within seven (7) days following transmittal of a Payment Request, or the request may expire. In that event, an updated Payment Request will be required. If the Program interest rate changes between the date of the original funding request and an updated request, the interest rate may increase.
- Following final review Ygrene will reconfirm eligibility of the project and the final special tax details and approve issuance of checks or bank wires in accordance with your instructions.
- In the event you cancel the financing after submitting a request for funding, all expenses incurred by the Program for recording and removing tax liens, preparing documents and other district and Ygrene costs will be your responsibility. Property owners may also be responsible for expenses incurred by contractors according to their construction agreements. Unless Ygrene approves multiple payments during the course of construction, it will not release funds if the work has not been completed and the building permit finalized.

8. Repayment

- In order to receive funding, property owners agree to pay special taxes in an amount adequate to repay the financing including (i) the principal amount received from the Program, (ii) interest on the principal amount received from the Program and (iii) initial and on-going administrative expenses.
- **Principal.** This is the total amount disbursed at closing. It can include construction and materials costs, Program fees, permits, energy audit expenses, application fees and capitalized interest (see "Capitalized Interest" below).
- **Interest Rate.** This is the interest rate that is applied to the Principal in the amortization schedule that calculates the annual special tax payment required to repay the financing. The interest rate will be fixed for the full term of the financing. The rate will be set on the date the property owner signs the Unanimous Approval Agreement and will be locked for the then applicable rate-lock period as published on the Program website and/or available by contacting Ygrene.
- **Capitalized Interest.** Because special taxes are placed on County tax rolls only once each year, it may be several months before special taxes appear on your property tax bill. Consequently, interest from the funding date until the special tax is placed on the tax roll will be added to the funding and you will have no payments for that period. Ygrene estimates capitalized interest on the Estimated Settlement Statement and itemizes the final amount on the Final Closing Statement.
- **Prepayment.** In the event you elect to pay the assessment in full before the end of the financing term, Ygrene may impose a prepayment premium not to exceed 5% of the unpaid principal balance on the special tax obligation. You should ask your Certified Contractor or a Ygrene customer service representative whether a prepayment premium will apply to your financing.

9. Program Fees

The following charges apply to the Program. Ygrene may change these charges from time to time in response to increases or decreases in the cost of providing Program services.

COMMERCIAL PROGRAM FEE SCHEDULE

Application	\$250	Upon application submittal
Processing & Underwriting	\$250 or Cost Recovery	At disbursement*
Documentation	\$400 Maximum	At disbursement*
Recording & Disbursement	\$250 Maximum	At disbursement*
Program Cost Recovery	Not to exceed 1% minimum \$500	At disbursement*

Funding Fee D	Not to exceed 4%	At disbursement*
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*These charges may be included in the principal amount to be financed.

The Auditor Controller in each county charges an annual fee for placing special taxes on the property tax roll. The tax administrator, trustee and loan servicer have similar fees. These fees are estimated to be approximately \$50 per year, but may be more in some counties.

9. Special Taxes & Foreclosures

A property owner must pay the agreed upon special tax regardless of personal financial circumstances, the condition of the property, or the performance of the Authorized Improvements. Property owners should not apply for financing if they are not certain they can meet the special tax obligations. The failure to pay property taxes in full or in part will result in financial repercussions including penalties, interest and possibly foreclosure.

10. Compliance with Existing Mortgages

Recordation of the Notice of Special Tax Lien will establish a continuing lien as security for the obligation to pay the special taxes. The lien will be senior to private liens, including existing mortgage(s). Many loan documents limit the ability of borrowers to place senior liens on their property without the consent of the lender. Program participants are encouraged to confirm with their lender(s) that participation in the Program does not violate their existing loan documents. When it approves your application Ygrene notifies lenders on your behalf of your intention to participate in the Program.

11. Sale of the Property

Because ownership of any Authorized Improvements on the property transfers to the buyer when you sell the property, if you do so prior to the end of the financing term the new owner can assume the special taxes. You are obligated to make all legally required disclosures regarding the existence of the special tax lien on the property.

12. Rebates and Taxes

Participation in this Program does not reduce incentives available through federal, state, utility and District sponsored rebate programs. More information on available programs can be found online or through Certified Contractors. Property owners should consult with their tax advisors with respect to the state and federal tax benefits and consequences of participating in the Program.

13. Changes in Program Terms

Program terms, including interest rates and underwriting requirements, can change at any time. However, no such changes will affect your obligation to pay special taxes in accordance with the Program Documents. Participation in the Program is subject to the requirements of Program Report, Program Handbook and Program Documents in effect at the time you apply for financing.

APPENDIX A

AUTHORIZED IMPROVEMENTS

The Program offers financing for a variety of energy-efficiency improvements, water conservation improvements, solar and other distributed generation systems and electric vehicle charging infrastructure. In each case, any rebates received by or approved for property owners prior to funding must be deducted from the amount of financing requested. In addition, property owners are encouraged to pursue the most cost effective improvements (or combination of improvements) to maximize their long-term utility savings and return on investment. This list is not intended to be comprehensive. Any projects that measurably save energy beyond the level required by legislation, or that generate renewable energy or add to the conservation of water resources, can be financed through the program. Consult the Program Administrator for details.

Energy-Efficiency Improvements

- Air sealing and ventilation
- Air filtration
- Building envelope
- Duct leakage and sealing
- Bathroom, ceiling, attic, and whole-house fans
- Insulation
- Defect correction
- Attic, floor, walls, roof, ducts
- Weather-stripping
- Sealing
- Geothermal exchange heat pumps
- HVAC systems
- Evaporative coolers (coolers must have a separate ducting system from ducting for air-conditioning systems and heating systems)
- Natural-gas-storage water heater
- Tank-less water heater
- Solar-water-heater system
- Reflective insulation or radiant barriers
- Cool roof
- Windows and glass doors (U value of 0.40 or less and solar-heat-gain coefficient of 0.40 or less)
- Window film
- Skylights
- Solar tubes
- Additional building openings to provide additional natural light
- Lighting (fixture retrofits only)
- Pool equipment (circulating pumps, etc.)

Other Non-residential Building Improvements

- Occupancy-sensor lighting fixtures
- SMART parking-lot bi-level fixture
- SMART parking-garage bi-level fixtures
- SMART pathway lighting
- SMART wall-pack fixtures
- Task ambient office lighting
- Classroom lighting
- Refrigerator case LED lighting with occupancy sensors
- Wireless daylight-lighting controls
- Kitchen exhaust variable air-volume controls

- Wireless HVAC controls & fault detection

Renewable-Energy Improvements (Photovoltaic and Solar-Thermal Equipment)

- Solar thermal hot-water systems
- Solar thermal systems for pool heating
- Photovoltaic systems (electricity)
- Emerging technologies

Water-Conservation Improvements

- Faucet aerators
- Core-plumbing systems
- Gray-water systems
- Instantaneous hot-water heaters
- Recirculation hot-water systems
- Demand initiated hot-water systems
- Hot-water pipe insulation
- Irrigation-control systems
- Irrigation systems
- Rainwater cisterns
- Low-flow showerheads
- High-efficiency toilets
- Demand water softeners
- Whole-house water-manifold systems

The following water-conservation improvements are approved for non-residential applications:

- Cooling-condensate reuse
- Cooling-tower conductivity controllers
- Deionization equipment
- Filter upgrades
- Foundation drain water
- Industrial-process water-use reduction
- Pre-rinse spray valves
- Recycled water sources
- Urinals
- Waterless urinals

Custom Improvements

The Program Administrator can evaluate and approve financing for Eligible Improvements that are not "off the shelf" ("Custom Improvements"). Custom Improvements may involve large-scale industrial or commercial energy-efficiency improvements; processing or industrial mechanical systems; and renewable energy generation from sources such as geothermal and fuel cells. Custom Improvements that will be considered for Program funding include the following:

- Building energy-management controls
- HVAC duct zoning-control systems
- Irrigation pumps and controls
- Lighting controls
- Industrial- and process-equipment motors and controls
- Fuel cells
- Wind-turbine power systems
- Natural gas
- Hydrogen fuel
- Electric Vehicle charging stations
- Other fuel sources (emerging technologies)

- **Co-generation (heat and energy)**

**APPENDIX B
SAMPLE THREE-DAY RIGHT TO CANCEL**

Your Right to Cancel

You are entering into a Unanimous Approval Agreement for financing under the Program that will result in an assessment lien being placed on your property at the following address:

Ygrene is offering you the right to cancel this transaction without cost within three (3) business days from the date you execute the Unanimous Approval Agreement.

If you cancel this transaction during this three-day period, the Authority will not record the special tax lien on the property.

Acknowledgement of Receipt

I/We hereby acknowledge reading and receiving a copy of this Notice of Right to Cancel.

_____, 20____
Owner No.1 Signature Date

_____, 20____
Owner No. 2 Signature Date

_____, 20____
Owner No.3 Signature Date

_____, 20____
Owner No. 4 Signature Date

How to Cancel

If you decide to cancel this transaction, you must notify the Program Administrator in writing at 100 B Street, Santa Rosa, CA 95401 or by emailing your cancellation to laura.choi@ygrene.us. You may use any written statement that is signed and dated by you and states your intention to cancel, or you may use this notice by dating and signing below.

I Wish to Cancel

_____, 20____
Owner Signature Date

I would like to cancel my Assessment Contract for the reason(s) described below:

APPENDIX C UNDERWRITING REQUIREMENTS

Underwriting. All property owners, and improved properties in the District(s) that meet the Program's criteria for approved property types, must meet the following underwriting criteria for participation:

- **Address.** The property must be improved or will be improved by the project, be located within the District(s) and must be on the property tax rolls or capable of being added to the rolls.
- **Applicant.** All owners of record must agree to participate and be willing to execute the Unanimous Approval Agreement.
- **Mortgage Debt.** Prior to Program funding, mortgage debt must not exceed a certain percentage of the market value of the property as set forth on the Program website. Total debt on the property including Program financing must not exceed the market value of the property. For property owners who obtain lender consent, these requirements may be waived.
- **Mortgage Payments.** Property owners must have no recorded notice of default on the property during the period specified on the Program website. For property owners who obtain lender consent, this requirement may be waived.
- **Property Taxes.** Property owners must be current on their property taxes.
- **Bankruptcy.** Property owners must not be in bankruptcy.
- **Involuntary Liens.** There must be no involuntary liens on the property that reflect financial distress.
- **Maximum Financing.** Funding requests must not exceed limits provided by the Act. Projects with funding requests exceeding \$100,000 may require additional underwriting during the project approval phase.
- **Minimum Financing.** Minimum funding request is \$2,500.
- **Other:** Property owners must authorize Ygrene to notify all existing mortgage holders of their intent to participate in the program.
- Property owners may be asked to provide utility records for the property for the two years prior to completion of the project.
- For property owners whose FICO score is 700 or greater, as reported by Equifax, Experian, TransUnion or other reputable national credit bureau, the requirements above related to mortgage debt currency, late payment of mortgages, property tax currency and involuntary liens may be waived.

These requirements may change from time to time. The most up-to-date Program requirements are available on the Program website or from a Ygrene customer service representative.





To: CHF Board of Directors
From: Greg Norton, Executive Director
Craig Ferguson, Vice President
Date: December 2, 2014
Re: **Public Hearing:** Consideration of Establishment of CHF Property-Assessed Clean Energy (PACE) Program to Authorize Voluntary Contractual Assessments to Finance the Installation of Certain Authorized Improvements.

Resolution 14-08: Confirming the Report Relating to the Financing of the Installation of Distributed Generation Renewable Energy Sources, Energy Efficiency and Water Efficiency Improvements and Electric Vehicle Charging Infrastructure, Authorizing Filing of Validation Action and Approving and Ordering Other Related Matters - **ACTION**

Resolution 14-09: Authorizing Issuance of the Limited Obligation Improvement Bonds, Approving and Directing the Execution of Related Documents, Authorizing Filing of Validation Action and Approving Related Actions - **ACTION**

Background

AB 811, enacted in 2008, allows cities, counties and joint powers authorities such as CHF, to establish a voluntary contractual assessment program to assist property owners with the costs of installing distributed generation renewable energy sources, energy or water efficiency improvements or electric vehicle charging infrastructure that are permanently fixed to real property, pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the "Act").

This property-assessed contractual assessment ("PACE") program would allow CHF to enter into agreements with owners of developed properties within the Program Boundaries that will allow CHF to levy assessments against the properties to finance the construction and installation of the improvements on those properties. The Program Boundaries will include any unincorporated or incorporated land within counties, and cities within those counties, that are current or future members of CHF and that elect to participate in the program (Proposed Map is Part of Resolution 2014-08, Attachment A).

On September 26, 2014, the Board adopted Resolution No. 2014-05 (the "Resolution of Intention"), declaring its intention to establish the PACE program, and setting a

public hearing date of December 10, 2014 on the proposed formation. As required by law, notices of the public hearing were published in all California counties accordance with Section 6066 of the Government Code, with the first publication occurring not later than 20 days prior to this public hearing. In addition, written notice of the proposed PACE program was provided to all water and electric providers within all California counties not less than 60 days prior to the date of this public hearing.

As required by the Act and as stated in the Resolution of Intention, the attached Program Report (Attachment B) has been prepared and addresses several matters, as required by Section 5898.22 of the Act, including policies concerning participation in the Program, a list of the authorized improvements that can be financed through the Program, information regarding incidental, financing and administrative costs, a plan for raising capital to financing the work to be performed, and a draft assessment agreement. Also attached are proposed Program Handbooks for residential (Attachment C) and commercial (Attachment D) property owners who wish to participate in the Program.

Upon entering into an Assessment Contract, the Program Administrator will record a Notice of Assessment against the participating property. The amount of the assessment will be based upon the principal amount being financed, capitalized interest, interest on the principal and ongoing administrative fees.

Establishing the District requires the performance of a civil validation action under California Government Code, seeking a judgment of the Sacramento County Superior Court that the special tax, contracts, obligations or evidences of indebtedness arising out of the establishment and implementation of the District, etc., are on all respects legal, valid and bonding. The Resolution authorizes Best Best & Krieger to file and prosecute the validation action on behalf of CHF.

The Authority proposes to contract with Ygrene Energy Fund CA LLC, to serve as the Program Administrator and operate the PACE Program. Ygrene may enter into agreements with funding sources to provide interim funding for the program. Ygrene and the Authority will issue bond(s) to provide long-term financing for the Program.

In addition to confirming the Program Report, the Authority is being asked to approve the issuance of one or more series of limited obligation bonds from time to time that may be issued in a series or subseries for the purpose of financing or refinancing the installation of the Authorized Improvements. Resolution 2014-09 (Attachment E) authorizes the issuance of limited obligation improvement bonds and the required documents substantially in said form.

PACE financing addresses two major financial hurdles to capital-intensive energy efficiency and renewable energy projects: the high up-front cost and the potential that those costs will not be recovered upon sale of the property. With PACE financing, there is little or no up-front cost to the property owner, and if the property is sold before the investors are repaid, the new owner will, unless a prepayment is arranged, assume responsibility for the remaining assessments as part of the property's annual tax bill. By overcoming these barriers, PACE financing presents an opportunity to stimulate

construction and building activity, reduce peak energy demand, increase property values, and generate savings on utility bills for property owners.

Staff Recommendations

Staff recommends that the CHF Board of Directors approve the following:

1. Review and adopt Resolution 14-08 (Attachment E) which among other necessary actions and authorizations is:
 - a. Confirming the Report Relating to the Financing of the Installation of Distributed Generation Renewable Energy Sources, Energy Efficiency and Water Efficiency Improvements and Electric Vehicle Charging Infrastructure;
 - b. Authorizing filing of a validation action;
 - c. Approving necessary documents in substantially said form; and
 - d. Designating the Executive Director, or designee. To perform or cause to be performed various actions including required changes to documents and the execution of said documents;

2. Review and adopt Resolution 14-09 (Attachment F) which among other necessary actions and authorizations is:
 - a. Authorizing Issuance of the Limited Obligation Improvement Bonds,
 - b. Approving the Trust Indenture (Attachment F) and Bond Purchase and Draw-Down Agreement (Attachment G) substantially in said form;
 - c. Authorizing filing of a validation action;
 - d. Designating the Executive Director, or designee. To perform or cause to be performed various actions including required changes to documents and the execution of said documents; and
 - e. Approving and Directing the Execution of Related Documents and Approving Related Actions

3. Authorize the Authority's Executive Director to establish the CHF PACE Program including the signing of necessary agreements and other documents, as well as other actions necessary to establish and implement the PACE Program

Attachment(s)

- A. Resolution 14-08
- B. Program Report
- C. AB 811 Residential Program Handbook
- D. AB 811 Commercial Program Handbook
- E. Resolution 14-09
- F. Form of Trust Indenture
- G. Form of Bond Purchase and Draw-Down Agreements

CALIFORNIA HOME FINANCE AUTHORITY

RESOLUTION NO. 2014-08

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
CALIFORNIA HOME FINANCE AUTHORITY ("AUTHORITY")
CONFIRMING THE REPORT RELATING TO THE FINANCING
OF THE INSTALLATION OF DISTRIBUTED GENERATION
RENEWABLE ENERGY SOURCES, ENERGY EFFICIENCY AND
WATER EFFICIENCY
IMPROVEMENTS AND ELECTRIC VEHICLE CHARGING
INFRASTRUCTURE AND APPROVING AND ORDERING OTHER
RELATED MATTERS**

WHEREAS, pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the "Chapter 29"), the Joint Exercise of Powers Agreement of the California Home Finance Authority ("Authority") originally made and entered into July 1, 1993 (the "Joint Exercise of Powers Agreement"), as further amended to date, authorizes the Authority to take the necessary steps to implement a property assessed clean energy ("PACE") program, to finance the installation of distributed generation renewable energy sources, energy and water efficiency improvements and electric vehicle charging infrastructure, Authority is authorized and proposes to establish a voluntary contractual assessment program, to be known as the CHF PACE Program (the "CHF PACE Program"), to assist property owners within the jurisdictional boundaries of each Participating Party (as defined below) with the cost of installing distributed generation renewable energy sources, energy and water efficiency improvements and electric vehicle charging infrastructure (the "Authorized Improvements") that are permanently fixed to real property; and

WHEREAS, Chapter 29 authorizes the Authority to enter into contractual assessments to finance the installation of Authorized Improvements; and

WHEREAS, on September 26, 2014, pursuant to Resolution No. 2014-05 (the "Resolution of Intention"), the Board of Directors declared its intention to establish the CHF PACE Program, pursuant to which the Authority would enter into voluntary contractual assessments to finance the installation of Authorized Improvements within the jurisdictional boundaries (the "Program Area") of those current or future Members and Associate Members whose governing bodies have approved and consented to their inclusion in the CHF PACE Program (the "Participating Parties"); and

WHEREAS, the Resolution of Intention ordered the Executive Director to prepare, or direct the preparation of, and file with the Board of Directors a report addressing all of the matters set forth in Section 5898.22 of Chapter 29, including a draft agreement or agreements (each, an "Assessment Contract") between the Authority and property owners participating in the CHF

PACE Program providing for payment of voluntary contractual assessments and the financing of the installation of Authorized Improvements; and

WHEREAS, such report, together with separate handbooks for application of the CHF PACE Program to Residential and Commercial (as such terms are defined in such report) properties that are incorporated in such report by reference in order to supplement such report (such report, together with the handbooks, is referred to hereafter collectively as the "Program Report"), have been prepared, are on file with the Secretary of the Board of Directors and have been presented to the Board of Directors and the Program Report contains all of the matters required to be contained therein by Section 5898.22 of Chapter 29; and

WHEREAS, the Resolution of Intention ordered a public hearing to be held on December 10, 2014 at 8:30 a.m. in the Board Room, 1215 K Street, Suite 1650, Sacramento, CA 95814, for the purposes of affording all persons who are present an opportunity to comment upon, object to, or present evidence with regard to the CHF PACE Program, the extent of the Program Area, the terms and conditions of the draft Assessment Contracts, or the proposed financing provisions of the CHF PACE Program and at which public hearing any interested person may object to or inquire about the CHF PACE Program or any of its particulars; and

WHEREAS, as required by Section 5898.24 of Chapter 29 and the Resolution of Intention, the Secretary of the Board of Directors caused publication of a notice of public hearing in a newspaper of general circulation pushed in each county in California for the purpose of allowing interested persons to object to or inquire about the proposed CHF PACE Program or any of its particulars; and

WHEREAS, as required by Section 5898.24(c)(1) of Chapter 29 and the Resolution of Intention, the Executive Director caused written notice of the CHF PACE Program to be provided to the water and electric providers within the proposed Program Area not less than 60 days prior to this date; and

WHEREAS, on this date, the Board of Directors held a noticed public hearing as required by Chapter 29 at which the Program Report was summarized and all persons who were present were given an opportunity to comment upon, object to, or present evidence with regard to the proposed CHF PACE Program, the extent of the proposed Program Area, the terms and conditions of the draft Assessment Contracts attached as exhibits to the Program Report, and the proposed financing provisions;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Home Finance Authority as follows:

Section 1. The above recitals are true and correct.

Section 2. Incorporation of Resolution of Intention. The provisions of the Resolution of Intention are hereby incorporated in this Resolution by this reference.

Section 3. Approval of Program Report. The Program Report and the component parts thereof, including each exhibit and the handbooks that are incorporated by reference in the Program Report, is hereby approved and confirmed. The Executive Director or his designee (referred to together hereafter as the "Executive Director") is hereby authorized to make such changes to the Program Report, including but not limited to the list of the Authorized Improvements, the draft Assessment Contracts and the plan for financing installation of the Authorized Improvements, as the Executive Director determines are appropriate in connection with implementation of the CHF PACE Program.

Section 4. Establishment and Implementation of the CHF PACE Program. The Board of Directors hereby establishes the CHF PACE Program and orders its implementation consistent with the provisions of the Program Report and Section 3 of this Resolution. Before levying any contractual assessment on a parcel within any area, the legislative body of the respective county or city must adopt a resolution consenting to the inclusion of parcels within its jurisdiction in the CHF PACE program and authorizing the Authority to levy assessments.

Section 5. Assessment Contracts. The Board of Directors hereby approves the forms of the Assessment Contracts attached to the Program Report, with such additions thereto and changes therein as the Executive Director, or designee, in consultation with the Authority's bond counsel and general counsel, deems necessary, desirable or appropriate, the execution of which by the Executive Director shall be conclusive evidence of the approval of any such additions and changes. The Executive Director, or designee, is hereby authorized and directed to execute Assessment Contracts with property owners in order to provide for the levy of voluntary contractual assessments to finance installation of Authorized Improvements. The Board of Directors hereby authorizes the performance by the Authority of its obligations under such Assessment Contracts.

Section 6. Authorized Improvements; Contractual Assessments. The Board of Directors hereby orders that the Authorized Improvements identified in the Assessment Contracts be made and confirms the contractual assessments to finance installation of such Authorized Improvements to be levied by the Assessment Contracts.

Section 7. Recording of Notices. In connection with execution of an Assessment Contract with a property owner participating in the CHF PACE Program, the Board of Directors hereby directs the Secretary of the Board of Directors (the "Secretary") to cause to be recorded in the office of the applicable County Clerk-Recorder the various notices and other documents required by Chapter 29 and other applicable laws.

Section 8. Auditor's Record. The Executive Director is hereby authorized and directed to prepare, or cause to be prepared, the official list of contractual assessment installments to be included on each year's tax roll and to transmit the list to the applicable County Auditor-Controller. The Executive Director is hereby authorized to enter into and execute an

agreement with the Auditor-Controller with respect to the fees to be charged by the Auditor-Controller for including the proposed contractual assessment installments on each year's tax roll.

Section 9. Exemption from the California Environmental Quality Act. Pursuant to California Code of Regulations Section 15378(b)(4), the Board of Directors hereby finds that the approval of the CHF PACE Program is not a "project" subject to the requirements of the California Environmental Quality Act (California Public Resources Code Section 21000 and following) because the approval of the CHF PACE Program is the creation of a government funding mechanism or other government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. If deemed necessary by the Executive Director, the Secretary is hereby authorized to file, or cause to be filed, a Notice of Exemption pursuant to the State CEQA Guidelines with the County Clerk of each County in California.

Section 10. Designation of Superintendent of Streets. The Board of Directors hereby designates the Executive Director to perform the functions of the Superintendent of Streets for purposes of Streets & Highways Code Section 3100 and following and the Improvement Bond Act of 1915 (Streets & Highways Code Section 8500 and following).

Section 11. Further Actions. All actions heretofore taken by the officers and agents of the Authority with respect to the matters contemplated by this Resolution and the Program Report are hereby approved, confirmed and ratified, and the proper officers of the Authority including but not limited to the Executive Director, the Secretary and their designees, are hereby authorized, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements, assignments, notes and other documents which they, or any of them, may deem necessary or advisable in order to consummate the matters contemplated by this Resolution and the Program Report.

Section 12. Authorization to File Validation Action. The Authority's special counsel, Best, Best & Krieger LLP is hereby authorized and directed to file and prosecute on the Authority's behalf, against all persons interested in the matter, a civil validation action under California Government Code section 53311 and Code of Civil Procedure section 860 *et seq.*, seeking a judgment of the Sacramento County Superior Court that the contractual assessments, bonds, contracts, obligations or evidences of indebtedness arising out of the establishment and implementation of the CHF PACE Program, and all matters, agreements, and procedures related thereto, are in all respects legal, valid and binding.

Section 13. Effective Date. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a meeting of the Board of Directors of the California Home Finance Authority held on December 10, 2014 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Chair

ATTEST:

Secretary of the Board

EXHIBIT A
NOTICE OF PUBLIC HEARING
PROOFS OF PUBLICATION

Alameda	Inter-City Express
Alpine	Tahoe Daily Tribune
Amador	Amador Ledger Dispatch
Butte	Chico Enterprise Record
Calaveras	Calaveras Enterprise
Colusa	Colusa Sun Herald
Contra Costa	Contra Costa Times
Del Norte	The Triplicate
El Dorado	Mountain Democrat
Fresno	The Business Journal
Glenn	Sacramento Valley Mirror
Humboldt	Eureka Times-Standard
Imperial	Imperial Valley Press
Inyo	The Inyo Register
Kern	The Bakersfield Californian
Kings	The Hanford Sentinel
Lake	Lake County Record-Bee
Lassen	Lassen County Times
Los Angeles	Los Angeles Daily Journal
Madera	Madera Tribune
Marin	Marin Independent Journal
Mariposa	Mariposa Gazette & Miner
Mendocino	Ukiah Daily Journal
Merced	Merced Sun-Star
Modoc	Modoc County Record
Mono	Mammoth Times
Monterey	The Salinas Californian
Napa	Napa Valley Register
Nevada	The Union
Orange	Orange County Reporter
Placer	Roseville Press Tribune
	Feather River Bulletin; Indian Valley Record; Chester
Plumas	Progressive; Portola Reporter
Riverside	Business Journal
Sacramento	The Daily Recorder
San Benito	Free Lance

San Bernardino	San Bernardino American
San Diego	San Diego Commerce
San Francisco	San Francisco Daily Journal
San Joaquin	The Record
San Luis Obispo	The Tribune
San Mateo	Redwood City Tribune
Santa Barbara	Santa Barbara News Press
Santa Clara	San Jose Post-Record
Santa Cruz	Santa Cruz Sentinel
Shasta	Record Searchlight
Sierra	Mountain Messenger
Siskiyou	Siskiyou Daily News
Solano	Daily Republic
Sonoma	The Press Democrat
Stanislaus	The Modesto Bee
Sutter	The Appeal-Democrat
Tehama	Red Bluff Daily News
Trinity	The Trinity Journal
Tulare	Visalia Times-Delta
Tuolumne	The Union Democrat
Ventura	Ventura County Star
Yolo	Davis Enterprise
Yuba	The Appeal-Democrat



(Attachment B)

CALIFORNIA CLEAN ENERGY PROGRAM
CALIFORNIA HOME FINANCE AUTHORITY

PROGRAM REPORT

Contents

1. Introduction
2. Program Report
3. Program Requirements & Parameters
4. Authorized Improvements
5. The Financial Strategy
6. Changes to the Report

Appendix A – Map of the Program Area

Appendix B – Form of Assessment Contract

A Residential Program Handbook and a Commercial Program Handbook provide further details.

1. Introduction

In July of 2008, the California Legislature approved Assembly Bill 811 amending Chapter 29 of the Improvement Act of 1911 (Streets and Highways Code Section 5898.12 and following) (the "Act"), authorizing cities and counties to establish voluntary contractual assessment programs to fund an array of conservation and renewable energy projects proposed by property owners (collectively "PACE" programs). The Act was subsequently amended to add water efficiency improvements and electrical vehicle charging infrastructure to the list of authorized improvements ("Authorized Improvements"). The California Legislature declared that such programs, which authorize local governments to finance the installation of such improvements that are permanently affixed to real property, would serve a public purpose.

California Home Finance Authority ("the Authority") intends to use its authority to establish and judicially validate a PACE program (the "Program"). Under the Program, private property owners will enter into a voluntary contractual assessment with the Authority. The amount of the contractual assessment is equal to the cost to pay for the installation of Authorized Improvements, the costs of bonds that will finance the Program, the costs to administer the Program and Program fees. Like most assessments, the amounts are billed and collected on County property tax bills. If the property is sold or the primary mortgage(s) refinanced, the obligation to make the payments on the assessment will remain on the property or can, subject to prepayment premiums that may be established for the Program, be paid off. If a property owner fails to pay the annual contractual assessment installments, the Trustee, on behalf of the Authority, is obligated to strip the delinquent installments off the property tax bill and commence judicial proceedings to foreclose the lien of the delinquent installments. This is an expedited procedure, disclosed in the Assessment Contract and other Program documents that can result in the public sale of the property in less than a year.

The Program is being instituted to serve private properties within California. The Program will be offered in both incorporated and unincorporated jurisdictions that are members or associate members of the Authority, or that become members or associate members in the future, consistent with terms and conditions adopted by the Authority. Any incorporated territories authorizing the Program must agree to comply with all terms and conditions of the Program as adopted from time to time.

Property owner participation in the Program is purely voluntary and requires the full consent of all of the owners of any property for which Program financing will be used to install Authorized Improvements. As with other land-secured public financing programs (such as utility or road maintenance assessment districts), property owners repay the costs advanced by the Program through property taxes that amortize a recorded assessment on the property. Assessment installments are payable, along with ad valorem and other property taxes, in semi-annual installments that appear as a separate line item on property tax bills.

Program Goals: The Authority intends that the Program will allow property owners to make principled investments in their homes and businesses, in their long-term economic health and in the global environment. At the same time, this Program can help jurisdictions throughout California meet State goals for dealing with climate change and drought.

Program Benefits: The Program provides a strategic opportunity for cities and counties to achieve significant public benefits in the areas of economic development and quality of life. By letting property owners easily finance energy and water conservation measures the Program promotes reduced consumption. This translates into direct consumer savings and an increase in discretionary income. The multiplier effect attributable to such savings can benefit businesses

and households throughout California, encouraging job growth and bolstering local-government revenues. The most recent ECONorthwest study shows that investments in energy efficiency lead to direct job growth, estimating up to 60 new jobs for every \$4 million invested. Improvements to the building stock as a result of Program financing enhance occupant comfort and safety, promote public health and increase employee productivity. Water conservation projects increase the supply and quality of the State's water resources and protect recreational and life-style access.

Program Administration: The Authority is contracting with Ygrene Energy Fund (the "Program Administrator") to operate and fund the Program. The Authority's Executive Director or designee is authorized to enter into Assessment Contracts on behalf of the Authority. The Program Administrator will oversee the staff, contractors and organizations assisting with Program implementation.

2. Program Report

The Authority stated its intention to establish the California Clean Energy Program on September 26, 2014 by adopting its Resolution No. 2014-05 (the "ROI"). The Authority directed preparation of this Program Report (the "Report") to include the following:

- A map showing the boundaries of the territory within which the Program intends to offer voluntary assessment financing to private property owners (Exhibit A).
- Policies concerning participation in the Program and the maximum aggregate dollar amount of Authorized Improvements that may be financed under the Program.
- Identification of the Authorized Improvements.
- Information on the Authority's and the Program Administrator's incidental, financing, and administrative costs, and the cost of placing assessments on the tax roll.
- A plan for raising capital required to pay for work performed pursuant to contractual assessments.
- A draft assessment agreement ("Assessment Contract") that includes information defining the Authority official authorized to enter into Assessment Contracts with participating property owners (Exhibit B).

The Report is the guiding document for the Program and fulfills the requirements of Sections 5898.22 and 5898.23 of the California Streets and Highways Code. The Program is offered to property owners in Cities and Counties throughout the State of California that are members or associate members of the Authority, or that become members or associate members of the Authority, and that elect to make the Program available to their constituents by adopting a resolution that authorizes Ygrene Energy Fund CA, LLC ("Program Administrator") to operate the Program on behalf of the Authority within their respective boundaries. The Administrator also offers supplemental handbooks ("Program Handbook") for the residential and commercial sections of the Program.

3. Program Requirements & Parameters

Boundaries of Program Area

A map (Exhibit A) showing the prospective boundaries within which contractual assessments may be offered is attached. The governing bodies of counties within the prospective boundaries may allow citizens in the unincorporated areas of the County to participate in Program financing by passing a resolution adopting the Program. Incorporated cities must adopt similar

resolutions to enable their residents to participate. Each owner intending to secure Program financing for their property must complete an application, pay the application fee and secure the signatures of all owners of record on the Assessment Contract.

Eligible Property Owners and Eligible Properties

Property owners eligible to participate in the Program include, but are not necessarily limited to, individuals, associations, business entities, and cooperatives. For financing to be approved, property owners must meet eligibility and underwriting criteria established for the Program. Details of these requirements are provided in the Program Handbook (available from the Program Administrator) and on-line. Notwithstanding anything to the contrary in this Report or in any Program Handbook, the Authority and the Program Administrator will implement adequate safeguards to ensure compliance with Section 5898.15 of the Act.

Authorized Improvements

The Program enables owners of qualified property within the Program area to finance a wide range of Authorized Improvements consistent with the following provisions:

- The Program provides financing for Authorized Improvements that are permanently affixed to real property.
- Program financing may be used for direct purchase of equipment, installation and services, leases and power purchase agreements.
- Program financing is available for retrofits that replace outdated or inefficient equipment, or to install new equipment.
- The Program Administrator certifies contractors for participation in the Program (each, a "Certified Contractor") and requires that they meet Program standards.

Eligible Project Costs and Administrative Costs

Eligible Project Costs.

- Program financing may be used to cover the actual cost of Authorized Improvements including charges for equipment, materials, supplies, and installation.
- Installation costs may include, but are not necessarily limited to, construction labor, energy and water-survey consultants and auditors, design/engineering/architecture, and program soft costs such as appraisals, permits and inspection fees.
- The Program Administrator must pre-approve any payments for labor provided by property owners on Authorized Improvements.
- Eligible costs do not include general remodeling or property repairs that are not directly required to enable installation of Authorized Improvements.

Administrative Costs.

- The intent of the Program is to minimize initial out of pocket costs for property owners while also supporting Program sustainability. Accordingly, the Program Administrator may impose fees and other charges in accordance with schedules posted from time to time on the Program website and in Program materials. With the exception of the application fee, all Program fees may be included in the financing and will be added to the disbursement amount at the time of closing unless the property owner elects to pay them directly.

Duration of Assessment

Assessment Contracts may be available for terms up to 30-years based on the average weighted useful lives of the installed Authorized Improvements. Most projects are financed for 20 years, but the Program Administrator offers alternative amortization schedules to accommodate property owner preferences.

Program Interest Rate

The Program Administrator will set the interest rate for the financing at the time the property owner enters into an Assessment Contract. The interest rate will be fixed at that point for the rate-lock period ("Rate Lock") defined in the Assessment Contract and will not change unless the property owner fails to submit a valid funding request during the Rate-Lock. The Program Administrator will make periodic changes to the Program interest rates and Rate-Lock periods in response to conditions in the financial markets. Current policies will be available from the Program Administrator and on the Program website.

Assessment Lien

All owners of record of participating properties must sign an Assessment Contract and have their signatures either notarized or verified through a third party verification process. Execution of the Assessment Contract authorizes recording of a lien on the property that secures repayment of the assessments levied in accordance with the agreement.

Delinquent Assessment Collections

Delinquent assessments will be collected using the procedures and powers authorized under California law for the collection of property taxes, and assessments. While unlikely, one remedy available to holders of beneficial interests in Program assessment liens to collect delinquent installments is accelerated judicial foreclosure of the tax lien against the delinquent property, which may be initiated following the delinquency. To minimize the possibility of delinquent assessments the Program Administrator may implement a pooled interest reserve.

First Levy of Assessment

If funds are disbursed to property owners before June 30 of any year, then the assessment and the first year's installment will appear on the next tax bill. For disbursements made on or after July 1 of any year, the first assessment will not appear on the tax bill until the following tax year. Interest on deferred installments will be capitalized and added to the amount to be financed under the Assessment Contract or, at the election of the property owner, may be paid directly at the time of funding.

The Program Administrator may offer an option of financing additional capitalized interest to enable property owners, at their election, to extend the period during which no assessments would appear on the property tax bill or be payable.

Reserve Fund

The amount to be financed under the Assessment Contract may include an amount to fund a reserve from which payments can be made if assessment collections are insufficient to pay debt service on bonds issued for the Program. The amount of the reserve will be specified in the

Assessment Contract.

4. Authorized Improvements

There are four categories of Authorized Improvements that can be financed through the Program. A representative list of Authorized Improvements is set out in the Program Handbook.

- **Energy Efficiency Improvements:** Energy efficiency improvements comprise a wide range of fixtures from windows and doors to attic insulation and HVAC equipment. Such measures will help reduce energy use through increased efficiency in buildings and other improved real property.
- **Renewable Energy Improvements:** Renewable energy improvements are usually solar photovoltaic installations intended to replace utility generated electrical power with renewable solar power for all or part of a property's energy needs. Also included are wind generation, solar-thermal, geothermal, and hydroelectric installations, as well as emerging technologies for renewable energy generation.
- **Water Conservation Improvements:** Water conservation improvements comprise a wide range of water saving measures designed to reduce demand or waste. Included are recirculation systems, gray-water systems, low-flow fixtures, waterless urinals, deionization equipment, and filter upgrades. In addition, numerous innovative agriculture and aquaculture installations can be financed through the Program.
- **Electric Vehicle Charging Infrastructure:** The Program can finance charging station equipment and installations whether for commercial or residential use.
- **Custom Improvements:** The Program encourages the development of innovative technologies that will diversify and expand the State's energy saving and renewable energy generation opportunities. As described above, the Program Administrator is also always looking to approve for funding creative water saving measures. Applicants who seek program financing for custom improvements should consult with the Program Administrator to determine eligibility and, if necessary, obtain directions for submitting detailed information about the proposal. The Program Administrator will approve custom improvements on a case-by-case basis.

5. The Financial Strategy

The following conditions will govern financial resources for the Program, financing of projects, recordation of assessments and collection and distribution of assessment payments:

- The maximum aggregate principal amount of contractual assessments to be levied under the Program is \$ _____, subject to increase if there is sufficient demand. It is anticipated that the Authority will issue bonds secured by contractual assessments that will be purchased by the Program Administrator, or its affiliates or designees, to fund projects completed under Program Assessment Contracts.
- The Program Administrator has entered into agreements with funding sources to secure adequate interim and long-term financing for the Program, and represented to the Authority that it can provide all necessary financial resources to fund the Program.
- In the event it appears that, at any time, funding resources for the Program will be inadequate to meet demand, completed and properly executed applications for Program funding will be processed in the order in which received by the Program Administrator.

- The Executive Director of the Authority and/or designee is authorized to enter into Assessment Contracts with participating property owners.
- The annual assessments will be authorized in accordance with the Act and the Assessment Contracts and collected through the property-tax system in the County in which the Property is located.
- The Authority will pledge the assessment revenues to a trustee as directed by the Program Administrator as security for bonds issued to finance the Program.
- The Program Administrator will manage the Program, establish the program budget, and be responsible for funding program operations.

Upon execution of the Assessment Contract, the Program Administrator will record a Notice of Assessment against the participating property. This lien secures payment of the assessment for as long as it remains on the property. The Assessment Contract uses (i) a Principal Amount to be financed, (ii) Capitalized Interest due on the transaction, (iii) a Program Interest Rate charged on the principal amount, and (iv) ongoing administrative fees, to arrive at the annual assessment that appears on the tax bill.

- **Principal Amount to be Financed:** The Program typically finances the costs associated with installing Authorized Improvements including, but not necessarily limited to, appraisals, energy and water-survey consultations, architectural and engineering services, permits and inspections. The financed amount will also include Program fees and capitalized interest. Principal amounts can also include lease and/or power purchase contract payments, whether up-front or incremental.

- **Capitalized Interest:** County tax collectors place assessments on property tax rolls once each year – usually during the first week of August. As a result, when funds are disbursed at the completion of the project, the Program Administrator will add an amount to the assessment sufficient to cover the interest from the date of closing until the beginning of the tax year when the assessment is first placed on tax bills. This capitalized interest is included in the financing and amortized at the Program interest rate for the term of the loan. There will be no payments due on the financing during the capitalized interest period.

- **Program Interest Rate:** The rate of interest paid by the property owner for the financing will be fixed for the entire term. The rate offered to property owners will vary from time to time depending on the Program Administrator's cost of funds, and will be posted daily on the Program website.

- **Administrative Costs and Costs of Issuance:** Annual administrative costs may include, but are not limited to, (i) the fees charged by the County to prepare the tax roll and collect Program assessments, (ii) financing origination costs, (iii) costs to offset capital provider, third party and operational costs associated with the provision of the financing and Program administration and (iv) reserve funds. These fees will be added to the annual assessment each year.

5. Changes to Report

The Program Administrator may make changes to this Program Report that the Authority and the Program Administrator reasonably determine are necessary to clarify its provisions or to effectuate the purposes of the Program. Changes to this Program Report may not affect the assessments payable under then existing Assessment Contracts between property owners and the Authority.

Map of Program Area

**California Home Finance Authority
Contractual Assessment (PACE) Program
Proposed Territory**

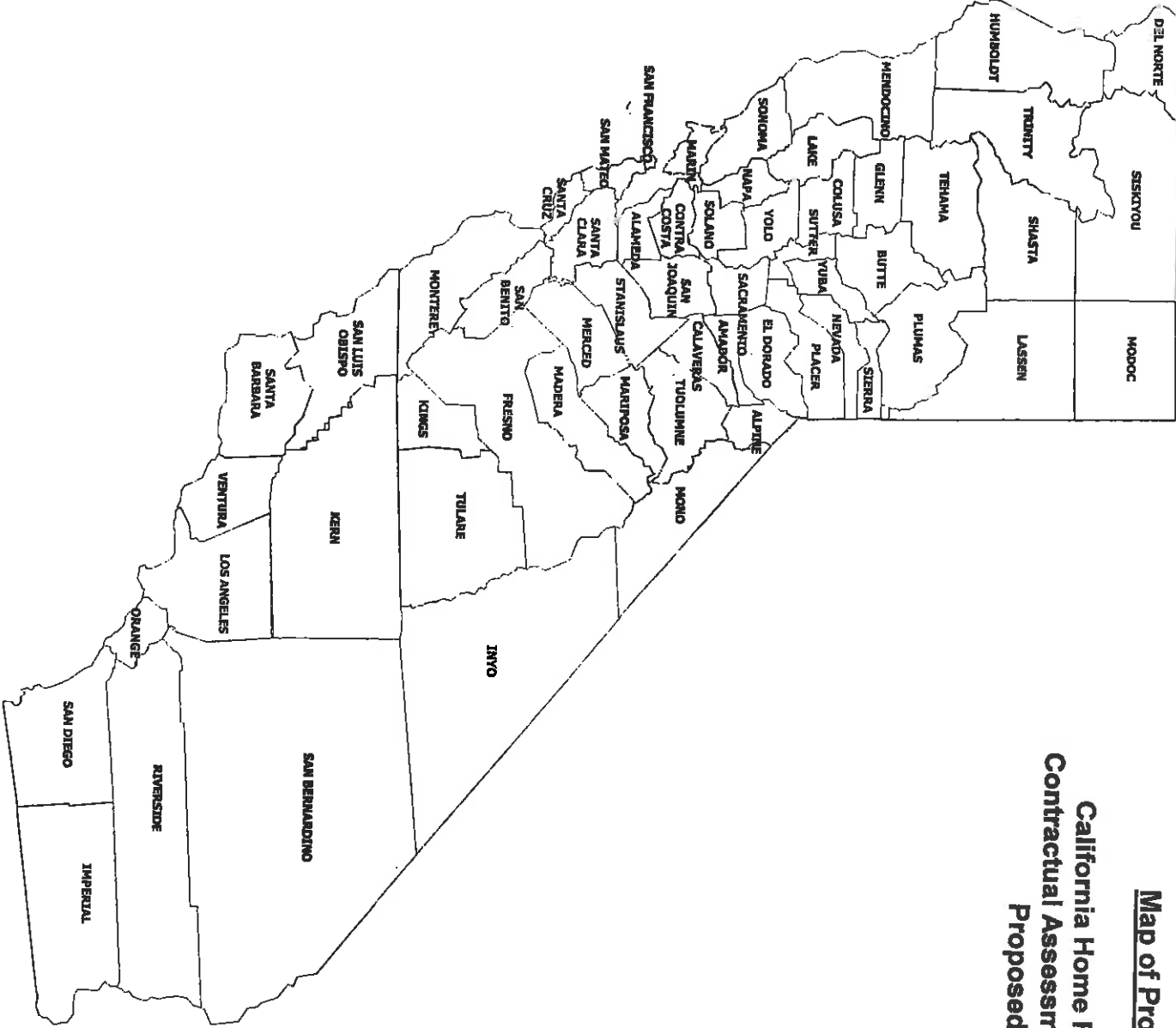


EXHIBIT A – BOUNDARY MAP

EXHIBIT B - ASSESSMENT CONTRACT

FORM OF ASSESSMENT CONTRACT

This Assessment Contract (the "Agreement"), dated _____, is between the California Home Finance Authority, a California joint exercise of powers authority (the "Authority") and all of the persons or entities identified below as the record owner(s) (the "Property Owner") of the fee title to the real property identified herein.

Owner No. 1:

Owner No. 2:

Owner No. 3:

Owner No. 4:

Trust:

Legal Entity:

Project ID No.:

Folio Number:

Property Street Address:

City:

State:

Zip:

RECITAL

WHEREAS, the Authority has established a PACE program (the "Program") to allow the financing and refinancing of the installation of distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, and electric vehicle charging infrastructure that are permanently fixed to real property (the "Qualifying Improvements") through the levy of contractual assessments (the "Assessment(s)") pursuant to Chapter 29 of Part 3 of Division 7 of the Streets & Highways Code of the State of California, as amended ("Chapter 29"); and

WHEREAS, the Authority has conducted the proceedings required by Chapter 29 and other applicable California law to enter into this Agreement with the Property Owner; and

WHEREAS, the Authority and the Property Owner wish to enter into this Agreement pursuant to which the Authority will agree to finance or refinance the costs of installing the Qualifying Improvements and the Property Owner freely and willingly agrees to the imposition by the Authority of the Assessment on the real property described above (the "Property") in order to repay the costs incurred by the Authority with respect to financing or refinancing the installation of the Final Improvements, all on the terms set forth in this Agreement; and

WHEREAS, the Authority has contracted with Ygrene Energy Fund California, LLC (together with any successors or assigns), (the "Administrator") to act as the administrator of the Program pursuant to a Third Party Administration Agreement dated as of _____ (the "Administration Agreement") between the Authority and the Administrator.

NOW, THEREFORE, in consideration of the foregoing and the material covenants hereinafter contained, the Property Owner and the Authority formally covenant, agree and bind themselves and their successors and assigns as follows:

AGREEMENT

Section 1. Purpose.

The Property Owner and the Authority are freely and willingly entering into this Agreement for the purpose of financing or refinancing the installation of the Final Improvements on the Property whether by lease of the Final Improvements, purchase of energy generated by the Final Improvements through a power purchase contract or otherwise. The Authority will not finance or refinance the installation of any improvements that are not Authorized Improvements.

Section 2. The Property. The Property Owner hereby represents and warrants that:

- a) It is indefeasibly seized with fee simple title to the Property and possesses all legal authority necessary to execute this Agreement;
- b) All property taxes and any other assessments levied on the same bill as property taxes are paid and have not been delinquent for the preceding three years or the Property Owner's period of ownership, whichever is less;
- c) There are no involuntary liens, including, but not limited to, construction liens on the Property; and no notices of default or other evidence of property-based debt delinquency have been recorded during the preceding three years or the Property Owner's period of ownership, whichever is less;
- d) Property Owner is current on all mortgage debt on the Property; and has not been late in making mortgage payments more than once in the preceding 12 months, or the Property Owner's period of ownership, whichever is less.
- e) If there are any existing mortgages encumbering or otherwise secured by the property, before entering into a financing agreement, the Property Owner or Administrator has provided to the holders or loan servicers of record of any existing mortgages encumbering or otherwise secured by the property a notice of the Property Owner's intent to enter into this Agreement together with the maximum principal amount to be financed and the maximum annual assessment necessary to repay that amount as set forth in Exhibit A. Property Owner has provided a verified copy or other proof of such notice to the Administrator.

Section 3. Agreement to Pay Assessment; Prepayment; Non-Completion

- a) **Payment of Final Assessment.** Upon completion of the Final Improvements, the Authority will record a Notice of Assessment which will include the Addendum, which will set forth the final cost of the Final Improvements, which will not exceed the Maximum Amount (the "Final Cost"), the final total principal amount of the Assessment (the "Final Assessment"), the final annual payment schedule for the Assessment (the "Final Annual Assessment Schedule"), and each annual amount shown thereon, (the "Yearly Annual Assessment") and the final interest rate calculated as of the date of execution of the Addendum (the "Final Interest Rate") and the Property Owner hereby freely and willingly agrees to pay the Final Assessment together with interest thereon at the Final Interest Rate. THE PROPERTY OWNER ACKNOWLEDGES AND AGREES THAT FINAL INTEREST RATE WILL BE THE SAME AS THE ESTIMATED INTEREST RATE IF THE FINAL IMPROVEMENTS ARE COMPLETED WITHIN THE PERIOD SET FORTH IN EXHIBIT A HERETO; OTHERWISE THE FINAL INTEREST RATE WILL BE BASED ON MARKET CONDITIONS EXISTING AT THE TIME THAT FUNDS ARE RELEASED AND MAY BE MORE THAN THE ESTIMATED INTEREST RATE, RESULTING IN A CORRESPONDING INCREASE IN THE MAXIMUM ANNUAL ASSESSMENT. IN ADDITION, THE PROPERTY OWNER ACKNOWLEDGES AND AGREES THAT ALL OF THE AMOUNTS SET FORTH IN EXHIBIT A HERETO WILL CHANGE IF THE PROPERTY OWNER REQUESTS A CHANGE IN THE TERM OVER WHICH ASSESSMENTS ARE TO BE REPAYED. The Authority shall not provide financing in an amount in excess of the Final Cost. Interest will accrue on the Final Assessment at the Final Interest Rate.
- b) **Payment of Non-Completion Assessment.** The Property Owner understands and hereby acknowledges that in the event that the Property Owner begins the installation of the Qualifying Improvements and subsequently decides not to complete such Qualifying Improvements in compliance with the Program rules and this Agreement (a "Project Abandonment"), the Authority may be obligated to pay the Authority's expenses incurred prior to Project Abandonment. To the extent the Authority incurs such expenses (the "Abandonment Payment"), the Property Owner hereby freely and willingly agrees to pay a non-completion assessment (the "Non-Completion Assessment," which, in the case of a Project Abandonment, will be treated the same as, and may also be referred to as, a "Final Assessment"). Failure to sign all the required program documents within 30 days of the successful inspection of the improvements will constitute project abandonment. Upon Project Abandonment, the Property Owner agrees that the Authority will record a Notice of Assessment which will set forth the amount of the Abandonment Payment, the total principal amount of the Non-Completion Assessment, the annual payment schedule for the Non-Completion Assessment (the "Annual Non-Completion Assessment Schedule") and the interest rate calculated as of the date of execution of the Addendum (the "Non-Completion Interest Rate"). Such Addendum will not require any further consent of, or execution by, the Property Owner. THE PROPERTY OWNER ACKNOWLEDGES AND AGREES THAT THE NON-COMPLETION INTEREST RATE WILL BE BASED ON MARKET CONDITIONS EXISTING AT THE TIME THE ADDENDUM IS FINALIZED AND MAY BE MORE OR LESS THAN THE ESTIMATED INTEREST RATE. Interest will accrue on the Non-Completion Assessment at the Non-Completion Interest Rate. The Property Owner acknowledges that the purpose of the Non-Completion Assessment is to provide for redemption of any bonds issued by the Authority or prepayment of any other financial obligation entered into by or on behalf of the Authority to finance or refinance installation of the Qualifying Improvements, and to pay any costs incurred by the Authority in order to release the lien of the Assessment on the Property. The Property Owner further agrees and acknowledges that the Authority will levy the Non-Completion Assessment in the first fiscal year in which the Authority is able to cause the Non-Completion Assessment to be placed on the property tax roll. The Property Owner hereby freely and willingly agrees to pay the Non-Completion Assessment, together with interest thereon at the Non-Completion Interest Rate.
- c) **Administrative Expenses.** The Property Owner hereby agrees and acknowledges that the Authority may add amounts to an annual installment of the Assessment (including a Non-Completion Assessment) in order to pay for the costs of collecting the Assessment and the administrative costs and expenses of the Authority and the Administrator in administering the Assessment or the bonds issued to finance or refinance the Qualifying Improvements (the "Final Assessment" and the "Non-Completion Assessment" shall include such amounts as referred to herein). These amounts may vary based on the applicable County's Tax Collector fee schedule and the costs of the Authority and Administrator in administering the Program.
- d) **Prepayment of the Final Assessment.** The Final Assessment may be prepaid in whole or in any amount of at least \$[] at any time upon the payment of (i) the amount of any delinquent installments of principal or interest on the Assessment, together with

penalties accrued to the date of prepayment; (ii) the whole or, subject to the minimum amount set forth in this subsection, a portion of the unpaid non-delinquent principal component of the Final Assessment; (iii) the accrued but unpaid interest on the principal amount of the unpaid Final Assessment being prepaid through the earlier of the March 2 or September 2 that occurs at least 50 days following the date the prepayment is made; (iv) a prepayment premium in the amount set forth on Exhibit A; and (v) a reasonable fee, if charged by the Authority or the Administrator, for the cost of administering the prepayment and redemption of bonds.

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

Section 4. Collection of Assessment; Lien

The Assessment, the interest and penalties thereon as a result of a delinquency in the payment of any installment of the Assessment, and the administrative fees shall constitute a lien against the Property until they are paid and shall be collected and, as set forth in Chapter 29, such lien shall be coequal to and independent of the lien for general taxes.

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

Section 5. Financing of the Final Improvements

- a) Agreement to Finance Final Improvements. The Authority hereby agrees to use the Assessment to finance the Final Improvements, including the payment of the Authority's and Administrator's reasonable costs of administering the Program, subject to the Property Owner's compliance with the conditions for such financing established by the Authority.
- b) Disbursement of Funds. The Administrator will make one disbursement on behalf of the Authority when the following conditions have been met, except in the case of an approved phase or course of construction payment schedule authorized by the Authority. The Administrator's obligation to disburse funds to pay the costs of the Final Improvements shall be conditioned upon the Property Owner providing, to the satisfaction of the Administrator, (i) all required affidavits from all contractors and the Property Owner certifying that the Final Improvements have been completed in accordance with all applicable building codes, regulations, and other governmental requirements, and (ii) final releases or waivers of all applicable contractors', mechanic's and material men's liens. Disbursed funds must be used to pay for the installation of improvements, including by lease or power purchase agreement, or used purely as a reimbursement of expenses incurred for the installation of improvements. Acceptance of financing while refusing to pay for installation of improvements may constitute fraud against the Program.

Section 6. Term; Agreement Runs with the Land; Subdivision

- a) Except as otherwise set forth in this Agreement, this Agreement shall expire upon the final payment or prepayment of the Assessment.
- b) This Agreement establishes rights and obligations that are for the benefit of the Property and such rights and obligations run with the land.
- c) In the event the Property is subdivided while the Assessment remains unpaid, the Assessment will remain on all subdivided parcels that were used to calculate property value at the time of funding. If the Final Improvements no longer exist, the Assessment will be assigned to each of the newly created parcels on a per-acre basis, unless the Authority, in its sole discretion, determines that the Assessment should be allocated in an alternate manner.

Section 7. Recordation of Documents

The Property Owner hereby authorizes and directs the Authority to cause to be recorded in the public records of the applicable County the various notices and other documents, including an Addendum, required by applicable laws to be recorded against the Property.

Section 8. Sole Responsibility to Deal with Lenders

The Property Owner should note the following:

- 1) When the Property Owner enters into this Agreement with the Authority and finances any Qualifying Improvements, an assessment lien will be imposed on the Property.
- 2) By law, the assessment lien will be co-equal with the lien for general property taxes. It thus will be superior to the lien of any existing deed of trust the Property Owner may have previously executed in favor of a mortgage lender.
- 3) Existing mortgage lenders may contend that by entering into this Agreement the Property Owner has violated the loan agreements or deeds of trust.
- 4) The fact that the Property Owner or Administrator sent the notice described in Section 2(e) will not preclude the lenders from later alleging that the Property Owner has violated the loan agreements with them, and there is a risk that the lenders may prevail in any litigation over the alleged violation.
- 5) Neither the Authority nor the Administrator can advise the Property Owner about any loan agreements with lenders. The Property Owner's contractual relations with lenders are the Property Owner's sole responsibility.

Section 9. Notice

To the extent required by applicable Law, the Property Owner hereby agrees to provide written notice to any subsequent purchaser of the Property of the obligation to pay the Assessment pursuant to this Agreement.

Section 10. Waivers, Acknowledgement and Agreement

This Agreement reflects the Property Owner's free and willing consent to the imposition of the Assessment. The Property Owner hereby waives any otherwise applicable requirements of Article XIII of the California Constitution or any other provision of California law for an engineer's report, notice, public hearing, protest or ballot. The Property Owner hereby waives its right to repeal the Assessment by initiative or any other action, or to file any lawsuit or other proceeding to challenge the Assessment or any aspect of the proceedings of the Authority or the Program Administrator undertaken in connection with the Program. The Property Owner hereby agrees that the Property Owner and its successors in interest to fee title in the Property shall be solely responsible for the installation, operation and maintenance of the Final Improvements. The Property Owner hereby acknowledges that the Property Owner will be responsible for payment of the Assessment regardless of whether the Final Improvements are properly installed, operated, maintained or perform as expected.

THE PROPERTY OWNER HEREBY AGREES THAT THE AUTHORITY IS ENTERING INTO THIS AGREEMENT SOLELY FOR THE PURPOSE OF ASSISTING THE PROPERTY OWNER WITH THE FINANCING OR REFINANCING OF THE INSTALLATION OF THE QUALIFYING IMPROVEMENTS, AND THAT THE AUTHORITY HAS NO RESPONSIBILITY OF ANY KIND FOR, AND SHALL HAVE NO LIABILITY ARISING OUT OF, THE INSTALLATION, OPERATION, FINANCING, REFINANCING, MAINTENANCE OR PERFORMANCE OF THE QUALIFYING IMPROVEMENTS.

BASED UPON THE FOREGOING, THE PROPERTY OWNER HEREBY WAIVES THE RIGHT TO RECOVER FROM AND FULLY AND IRREVOCABLY RELEASES THE AUTHORITY AND THE ADMINISTRATOR AND ANY AND ALL AGENTS, EMPLOYEES, BOARD MEMBERS, ATTORNEYS, REPRESENTATIVES AND SUCCESSORS AND ASSIGNS OF THE AUTHORITY AND THE ADMINISTRATOR, FROM ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DAMAGES (INCLUDING CONSEQUENTIAL DAMAGES), PENALTIES, FINES, FORFEITURES, COSTS AND EXPENSES (INCLUDING ALL REASONABLE OUT-OF-POCKET LITIGATION COSTS AND REASONABLE ATTORNEY'S FEES), RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT THAT THE PROPERTY OWNER MAY NOW HAVE OR HEREAFTER ACQUIRE AGAINST THE AUTHORITY OR THE ADMINISTRATOR AND ANY AND ALL AGENTS, EMPLOYEES, BOARD MEMBERS, ATTORNEYS, REPRESENTATIVES AND SUCCESSORS AND ASSIGNS OF THE AUTHORITY OR THE ADMINISTRATOR.

TO THE EXTENT THAT THE FOREGOING WAIVERS AND AGREEMENTS ARE SUBJECT TO SECTION 1542 OF THE CALIFORNIA CIVIL CODE OR SIMILAR PROVISIONS OF OTHER APPLICABLE LAW, IT IS THE INTENTION OF THE PROPERTY OWNER THAT THE FOREGOING WAIVERS AND AGREEMENTS WILL BE EFFECTIVE AS A BAR TO ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DAMAGES (INCLUDING CONSEQUENTIAL DAMAGES), PENALTIES, FINES, FORFEITURES, COSTS AND EXPENSES (INCLUDING ALL REASONABLE OUT-OF-POCKET LITIGATION COSTS AND REASONABLE ATTORNEY'S FEES), OF WHATEVER CHARACTER, NATURE AND KIND, KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, AND PROPERTY OWNER AGREES TO WAIVE ANY AND ALL RIGHTS AND BENEFITS CONFERRED UPON THE PROPERTY OWNER BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE. SECTION 1542 READS AS FOLLOWS:

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

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

Property Owner's Initials:

The waivers, releases and agreements set forth in this Section 10 shall survive termination of this Agreement.

Section 11. Indemnification

THE PROPERTY OWNER AGREES TO INDEMNIFY, DEFEND, PROTECT, AND HOLD HARMLESS THE AUTHORITY AND THE ADMINISTRATOR AND ANY AND ALL AGENTS, EMPLOYEES, BOARD MEMBERS, ATTORNEYS, REPRESENTATIVES AND SUCCESSORS AND ASSIGNS OF THE AUTHORITY AND THE ADMINISTRATOR, FROM AND AGAINST ALL LOSSES, LIABILITIES, CLAIMS, DAMAGES (INCLUDING CONSEQUENTIAL DAMAGES), PENALTIES, FINES, FORFEITURES, COSTS AND EXPENSES (INCLUDING ALL REASONABLE OUT-OF-POCKET LITIGATION COSTS AND REASONABLE ATTORNEY'S FEES) AND ANY DEMANDS OF ANY NATURE WHATSOEVER RELATED DIRECTLY OR INDIRECTLY TO, OR ARISING OUT OF OR IN CONNECTION WITH (I) THE ASSESSMENT, (II) THE FINANCING BY OR ON BEHALF OF THE AUTHORITY OF THE FINAL IMPROVEMENTS, (III) THE FINAL IMPROVEMENTS, OR (IV) ANY OTHER FACT, CIRCUMSTANCE OR EVENT RELATED TO THE SUBJECT MATTER OF THIS AGREEMENT, REGARDLESS OF WHETHER SUCH LOSSES, LIABILITIES, CLAIMS, DAMAGES (INCLUDING CONSEQUENTIAL DAMAGES), PENALTIES, FINES, FORFEITURES, COSTS AND EXPENSES (INCLUDING ALL REASONABLE OUT-OF-POCKET LITIGATION COSTS AND REASONABLE ATTORNEY'S FEES) ACCRUE BEFORE OR AFTER THE DATE OF THIS AGREEMENT.

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

Section 12. No Representation by Authority or Administrator as to Suitability or Effectiveness of Final Improvements

THE PROPERTY OWNER HEREBY ACKNOWLEDGES THAT IT HAS DONE ITS OWN INVESTIGATION AND ANALYSIS OF THE SUITABILITY OF THE FINAL IMPROVEMENTS FOR THE PROPERTY AND THE POTENTIAL COST SAVINGS AND ENVIRONMENTAL IMPACT OF THE FINAL IMPROVEMENTS. NEITHER THE AUTHORITY NOR THE ADMINISTRATOR REPRESENTS OR GUARANTEES (A) THAT THE FINAL IMPROVEMENTS ARE SUITABLE FOR THEIR INTENDED PURPOSES, (B) THAT THE FINAL IMPROVEMENTS WILL RESULT IN ENERGY SAVINGS OR OTHER COST SAVINGS TO THE PROPERTY OWNER OR (C) THE ECONOMIC VALUE OR THE ENVIRONMENTAL IMPACT OF THE FINAL IMPROVEMENTS. IN PARTICULAR, NEITHER THE AUTHORITY NOR THE ADMINISTRATOR REPRESENTS OR GUARANTEES THAT UTILITY COMPANIES WILL NOT RAISE THEIR RATES IN THE FUTURE AND THEREBY OFFSET ALL OR A PORTION OF THE PROPERTY OWNER'S PROJECTED SAVINGS AS A RESULT OF MAKING THE FINAL IMPROVEMENTS NOR THAT THE INSTALLATION OF THE FINAL IMPROVEMENTS WILL RESULT IN ANY INCREASE IN THE VALUE OF THE PROPERTY. THE

PROPERTY OWNER HEREBY ACKNOWLEDGES AND AGREES THAT THE AUTHORITY AND THE ADMINISTRATOR ARE MERELY ASSISTING THE PROPERTY OWNER BY PROVIDING A FINANCING MECHANISM FOR THE FINAL IMPROVEMENTS AND HAVE NO ROLE IN DETERMINING THE ECONOMIC, FINANCIAL OR ENVIRONMENTAL VALUE OR IMPACT OF THE FINAL IMPROVEMENTS. THE PROPERTY OWNER HEREBY AGREES THAT THE WAIVERS IN SECTION 10 AND THE INDEMNIFICATION PROVISIONS IN SECTION 11 APPLY SPECIFICALLY TO, AMONG OTHER THINGS, THE MATTERS REFERRED TO IN THIS SECTION 12.

Section 13. Right to Inspect Property;

The Property Owner hereby grants the Authority and the Administrator, their agents and representatives the right to enter at any reasonable time, upon reasonable notice, to inspect the Final Improvements. The Property Owner further hereby grants the Authority and the Administrator, their agents and representatives the right to examine and copy any documentation relating to the Final Improvements.

Section 14. Carbon Credits

The Property Owner agrees, upon direction of the Program Administrator, to transfer any carbon credits, renewable-energy credits, solar-renewable-energy credits, offsets, or other tradable environmental certificate or permit attributable to the Final Improvements (collectively, "Carbon Credits") to the Authority; following which, such Carbon Credits will be owned by the Authority. Should installation of the Final Improvements qualify for a monetary incentive or rebate program that requires transfer of Carbon Credits to the provider of the monetary incentive or rebate, then the Authority shall waive its rights to the transfer of the Carbon Credits to it by the Property Owner in conjunction with the provision of the monetary incentive or rebate to the Property Owner.

Section 15. Program Application

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

Section 16. Amendment

This Agreement may be modified only by the written agreement of the Authority and the Property Owner.

Section 17. Binding Effect; Assignment

This Agreement inures to the benefit of and is binding upon the Authority, the Property Owner and their respective successors and assigns. The Authority has the right to assign or delegate to any person or entity (whether by way of sale, pledge, grant of security interest, or otherwise) this Agreement and any or all of its rights (including rights to payment, the Assessment, the Assessment lien, the right to pursue judicial foreclosure of the Assessment lien, and the right to enforce the collection of the Assessment or any installment thereof against the Property) and obligations under this Agreement, without the consent of the Property Owner. Any such delegation of obligations by the Authority shall release the Authority from such obligations to the extent stated in such delegation, without the need for any consent of the Property Owner. The obligation to pay the Assessment set forth in this Agreement and in the Addendum is an obligation of the Property and no agreement or action of the Property Owner will serve to impair in any way the Authority's rights, including, but not limited to, the right to pursue judicial foreclosure of the Assessment lien or the right to enforce the collection of the Assessment or any installment thereof against the Property.

Section 18. s.

The Exhibits to this Agreement are incorporated into this Agreement by this reference as if set forth in their entirety in this Agreement.

Section 19. Severability

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

Section 20. Corrective Instruments

The Authority and the Property Owner agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments, including the Addendum, as may reasonably be required in order to carry out the expressed intention of this Agreement.

Section 21. Governing Law; Venue

This Agreement is governed by and construed in accordance with the laws of the State of California. Any legal action brought under this Agreement must be instituted in the Superior Court of California, County of Sacramento; provided, however, that actions to foreclose delinquent installments of the Assessment will be filed and maintained in the Superior Court of California in the County in which the Property is located.

Section 22. Counterparts

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

IN WITNESS WHEREOF, the Authority and the Property Owner have caused this Agreement to be executed in their respective names by their duly authorized representatives, all as of the date first above written.

PROPERTY OWNER NO. 1

First Name:	Middle:	Last Name:
--------------------	----------------	-------------------

Mailing Address:

City:	State:	Zip Code:
--------------	---------------	------------------

Trust:

Legal Entity:

IMPORTANT SIGNATURE INSTRUCTIONS: PLEASE SIGN YOUR NAME EXACTLY AS SHOWN ABOVE IN THE NAME FIELDS. IF YOU ARE A TRUSTEE, PLEASE INCLUDE THE TITLE "TRUSTEE" AFTER YOUR SIGNATURE. EXAMPLE: John M. Smith, Trustee

.....

PROPERTY OWNER NO. 1 SIGNATURE

.....

DATE

Print Name & Title of Authorized Person:

STATE OF CALIFORNIA)
)SS
 COUNTY OF _____)

**The foregoing instrument was acknowledged before me this.....day of
, 20....., by**

....., **who is/are personally known to me or who**

has/have produced.....as identification.

[SEAL]

.....
 Notary Public, State of California

PROPERTY OWNER NO. 2

First Name:	Middle:	Last Name:
--------------------	----------------	-------------------

Mailing Address:

City:	State:	Zip Code:
--------------	---------------	------------------

Trust:

Legal Entity:

IMPORTANT SIGNATURE INSTRUCTIONS: PLEASE SIGN YOUR NAME EXACTLY AS SHOWN ABOVE IN THE NAME FIELDS. IF YOU ARE A TRUSTEE, PLEASE INCLUDE THE TITLE "TRUSTEE" AFTER YOUR SIGNATURE. EXAMPLE: John M. Smith, Trustee

.....

PROPERTY OWNER NO. 2 SIGNATURE

.....

DATE

**Print Name & Title
of Authorized Person:**

STATE OF CALIFORNIA)
)SS
COUNTY OF _____)

The foregoing instrument was acknowledged before me this.....day of
....., 20....., by

....., who is/are
personally known to me or who

has/have produced.....as identification.

[SEAL]

.....
Notary Public, State of California

PROPERTY OWNER NO. 3

First Name:	Middle:	Last Name:
Mailing Address:		
City:	State:	Zip Code:
Trust:		
Legal Entity:		

**IMPORTANT SIGNATURE INSTRUCTIONS: PLEASE SIGN YOUR NAME EXACTLY AS SHOWN ABOVE IN THE NAME FIELDS.
 IF YOU ARE A TRUSTEE, PLEASE INCLUDE THE TITLE "TRUSTEE" AFTER YOUR SIGNATURE. EXAMPLE: John M. Smith,
 Trustee**

.....

PROPERTY OWNER NO. 3 SIGNATURE

DATE

**Print Name & Title
 of Authorized Person:**

STATE OF CALIFORNIA)
)SS
 COUNTY OF _____)

**The foregoing instrument was acknowledged before me this.....day of
, 20....., by**

**....., who is/are
 personally known to me or who**

has/have produced.....as identification.

[SEAL]

.....
 Notary Public, State of California

PROPERTY OWNER NO. 4

First Name:	Middle:	Last Name:
--------------------	----------------	-------------------

Mailing Address:

City:	State:	Zip Code:
--------------	---------------	------------------

Trust:

Legal Entity:

IMPORTANT SIGNATURE INSTRUCTIONS: PLEASE SIGN YOUR NAME EXACTLY AS SHOWN ABOVE IN THE NAME FIELDS.
 IF YOU ARE A TRUSTEE, PLEASE INCLUDE THE TITLE "TRUSTEE" AFTER YOUR SIGNATURE. EXAMPLE: John M. Smith,
 Trustee

.....
 PROPERTY OWNER NO. 4 SIGNATURE

.....
 DATE

**Print Name & Title
 of Authorized Person:**

STATE OF CALIFORNIA)
)SS
 COUNTY OF _____)

The foregoing instrument was acknowledged before me this.....day of
, 20....., by

....., who is/are
 personally known to me or who

has/have produced.....as identification.

[SEAL]

.....
 Notary Public, State of California

CALIFORNIA HOME FINANCE AUTHORITY

Signature of Authorized Person:

Print Name and Title of Authorized Person:

Date:

STATE OF CALIFORNIA)
)SS
COUNTY OF _____)

**The foregoing instrument was acknowledged before me this.....day of
....., 20....., by**

**....., who is/are
personally known to me or who**

has/have produced.....as identification.

[SEAL]

.....
Notary Public, State of California

EXHIBIT A TO ASSESSMENT CONTRACT

DESCRIPTION OF ESTIMATED COSTS AND TERMS OF FINANCING

INTEREST RATE: % REPAYMENT TERM: years
 PREPAYMENT PREMIUM: % INTEREST RATE LOCK PERIOD: 90 days from the effective date of this Financing Agreement

Note: If you do not complete your project and request funding during the Rate Lock Period your Interest Rate may increase.

	MAXIMUM AUTHORIZED	PROPOSED PROJECT
Eligible Project Funding	\$	\$
Estimated Capitalized Interest	\$	\$
Estimated Program Fees	\$	\$
Estimated Financing	\$	\$
Estimated Annual Special Assessment*	\$	\$

*NOTE: Collection fees may be added to the final assessment amount. These fees vary and are based on changes in the Tax Collector's fees schedules and policies. Ask the program administrator for the current collection fees being charged.

PROPERTY OWNER NO. 1		PROPERTY OWNER NO. 2	
TRUST:		TRUST:	
LEGAL ENTITY:		LEGAL ENTITY:	
SIGNATURE		SIGNATURE	
NAME:		NAME:	
PROPERTY OWNER NO. 3		PROPERTY OWNER NO. 4	
TRUST:		TRUST:	
LEGAL ENTITY:		LEGAL ENTITY:	
SIGNATURE		SIGNATURE	
NAME:		NAME:	

**CALIFORNIA CLEAN ENERGY PROGRAM
CALIFORNIA HOME FINANCE AUTHORITY**

AB 811 RESIDENTIAL PROGRAM HANDBOOK

The California Home Finance Authority ("the Authority") has established a California Clean Energy PACE funding program (the "Program"). For details of the Program policies and goals please refer to the California Clean Energy Program Report. In order to apply for Program financing, property owners must read and acknowledge receipt of the Program Report and this Program Handbook that accompanies it.

The Program Handbook, along with the documents you will execute with your participation in the Program (the "Program Documents"), outlines the Program process and requirements. It is important that property owners understand the provisions of this Program Handbook and the attached Program Documents. The Authority has contracted with Ygrene Energy Fund ("Ygrene") to act as the Program Administrator. Ygrene reserves the right to amend this Program Handbook from time to time.

1. Purpose of the Program

The Program helps owners finance the installation of a wide range of energy efficiency and water conservation improvements on their property. The financing and the administrative costs are repaid through a voluntary special assessment that is added to your property tax bill. Because there are many types of financing available, you should investigate whether this is your best financing option, and seek help from your finance or tax professionals if you have questions.

2. Summary of the Program Process

As discussed in more detail below, obtaining Program financing involves the following steps. In many cases residential property owners may be able to obtain a notice to proceed with their project in a few minutes.

- Determine that you meet the eligibility requirements (see 'Eligibility').
- Apply either directly or through a Certified Contractor of your choosing (see 'Applications').
- Pay the application fee.
- Authorize Ygrene to notify your lender that you intend to participate in the Program.
- Receive a Notice of Approval from Ygrene.
- Sign and notarize or electronically verify signatures for the Assessment Contract.
- Submit a Construction Contract through your Certified Contractor for the installation of the improvements (Authorized Improvements) on your property.
- Receive a Notice to Proceed and authorize your contractor to begin construction.

- Submit a Payment Request upon project completion.
- Pay the special assessment when it appears on your property tax bill.

3. Eligibility

The Program can be used to finance Authorized Improvements on all types of private property - residential, commercial, industrial and agricultural. This Program Handbook sets forth the terms and conditions that are applicable to residential properties:

- The property must be located within a city or county that has agreed to participate in the Program.
- All of the owners of the property must sign the Program Documents. Therefore, before submitting an application, you must ensure that each person with an ownership interest will agree to participate.
- Payments must be current for all obligations secured by the property including loans, property taxes, assessments and tax liens and no owner may be in bankruptcy. Certain allowances may be made for property tax payment delays that do not reflect financial distress.
- The total debt secured by the property (before the addition of the Program financing) cannot exceed 90% of the fair market value. To determine this Ygrene will check mortgages, equity lines of credit, assessments and tax liens.
- In some cases Ygrene may request additional information during the approval process. These requests are common when residential property is held by trusts or entities other than individuals; but may be made for other reasons at Ygrene's discretion.

Please see the list of underwriting criteria and considerations attached as Exhibit C.

4. Application

If you want to participate in the Program, you must submit an online application and pay an application fee. Ygrene provides telephone assistance for property owners who have questions, need help applying, or would prefer to fill out a paper form. In addition, Certified Contractors are familiar with the application process and can coordinate with Ygrene on your behalf. Following are the steps:

- Submit an application form, either online or printed and signed, and the required application fee.
- Following review by Ygrene, you will receive a Notice of Approval, a Notice of Denial or a request for additional information. This process can take as little as ten minutes.
- At the time Ygrene issues your Notice of Approval, it will submit notification forms on your behalf to all lenders with secured loans on your property.
- Once your application is approved, a Ygrene representative will prepare electronic documents for signature by all property owners. These documents include the Assessment Contract which is the financing agreement through which you agree to pay the assessment when due and authorize recordation of the assessment lien on your property. You have three days after signing to cancel the agreement if you decide not to participate in the Program.

- Once it confirms approval, Ygrene can process information received from your Certified Contractor in preparation for issuing a Notice to Proceed with construction (see Project Approval below).
- Should your application be denied for any reason, the Notice of Denial will include recommended remedial action that you can pursue.

5. General Provisions

The following apply to all projects submitted for funding under the Program:

- Only Authorized Improvements are eligible for funding. A list of Authorized Improvements is provided in Appendix A. You should consult with your Certified Contractor to ensure that the improvements installed on your property qualify under the Program guidelines.
- Neither the Authority nor Ygrene is responsible for installation of the Authorized Improvements or their performance. The Certified Contractor that provides construction services for your project works for you and you should be sure that you are satisfied with the quality and completeness of their work before authorizing payments.
- Under the PACE law, Authorized Improvements must be permanently affixed to the property. Free-standing appliances, light bulbs and similar products that can be unplugged and removed from the property are not Authorized Improvements.
- Authorized Improvements must be installed by Certified Contractors that are listed on the Program website or available from a Ygrene customer service representative, or you may install the improvements yourself. If you choose to do the work yourself, Program financing will not cover the cost of your labor and only the material and equipment costs will be funded. Sub-contractors may work under the supervision of a Certified Contractor without being certified by the Program.
- The minimum Program funding is \$2,500.
- The total of all Program funding on your property cannot exceed (i) 15% of the fair market value of the property, (ii) an amount that, when added to your existing secured indebtedness, exceeds 100% of the fair market value of the property, or (iii) the final cost of installing the Authorized Improvements, including Program fees and applicable capitalized interest. In no event will Program funding exceed the amount authorized under applicable Program policies or State law.

6. Contractors and Construction

You can begin working with a Certified Contractor before or after you apply to the Program. If you consult with them early, you may be able to submit for project approval at the time you apply. Ygrene cannot issue a notice to proceed with construction until you select a Certified Contractor and provide information about the nature and cost of improvements you wish to finance. This information can be in the form of a Construction Contract or project cost breakdown. The following are the steps that lead to construction authorization:

- Select a contractor that is currently certified or ask your contractor to obtain Program certification. A list of Certified Contractors is available on the Program website or from a Ygrene customer service representative. You may wish to obtain bids and advice from more than one Certified Contractor.
- Work with your selected Certified Contractor to determine project scope, obtain bids, verify that the proposed work qualifies for funding and help complete the approval process with Ygrene.

- Once Ygrene approves the project, it will prepare the **Assessment Contract** and other financing documents and submit them to you for electronic signatures. All owners of the property must sign these documents and obtain electronic third party verification of their signatures.
- As soon as Ygrene receives completed documents, it can authorize construction with a Notice to Proceed. If you select your Certified Contractor early, and we don't encounter questions during the underwriting process, application, project approval and document preparation can often be completed in a few minutes.
- If you begin construction prior to receipt of Ygrene's Notice to Proceed, you run the risk of not qualifying for Program funding.
- If Ygrene denies the project, it will issue a Notice of Denial letter that outlines remedies you may employ to obtain approval.

7. Funding

- Once your Certified Contractor completes installation of the Authorized Improvements, they can help you submit a Payment Request. They will also be required to provide the project verification documents listed below. Ygrene will review your submittal, produce final Program forms, and email or mail them to you in accordance with your instructions. Once Ygrene receives the executed documents it will schedule funding – usually within a few days. The following are requirements for funding:
 - i. A final sign-off on the building permit for the project from the authorized building official in the participating jurisdiction.
 - ii. Final invoices and lien releases from all Certified Contractors and any sub-contractors or materials providers who worked on the project.
 - iii. A signed Estimated Settlement Statement
 - iv. A signed Right to Receive Financing Proceeds form if the payment is to be assigned to someone other than the property owner.
- Unless Ygrene authorized additional time, property owners must sign and return the closing documents to Ygrene within seven (7) days following transmittal of a Payment Request or the request may expire. In that event, an updated Payment Request will be required. If the Program interest rate changes between the date of the original funding request and an updated request, the interest rate may increase.
- Following final review Ygrene will reconfirm eligibility of the project and the final assessment details and approve issuance of checks or bank wires in accordance with your instructions.
- In the event you cancel the financing after submitting a request for funding, all expenses incurred by the Program for recording and removing tax liens, preparing bond documents and other district and Ygrene costs will be your responsibility. Property owners may also be responsible for expenses incurred by contractors according to their construction agreements. Under no circumstances does the Authority or Ygrene have any obligation to release funds if the work has not been completed.

8. Repayment

- In order to receive funding, property owners agree to pay special assessments in an amount adequate to repay the financing including (i) the principal amount received from the Program, (ii) interest on the principal amount received from the Program and (iii) initial and on-going administrative expenses.
- Principal. This is the total amount disbursed at closing. It can include construction and materials costs, Program fees, permits, energy audit expenses, application fees and capitalized interest (see "Capitalized Interest" below).
- Interest Rate. This is the interest rate that is applied to the Principal in the amortization schedule that calculates the annual tax payment required to repay the financing. The interest rate will be fixed for the full term of the assessment. The rate will be set on the date the property owner signs the assessment contract and will be locked for the then applicable rate-lock period as published on the Program website and/or available by contacting Ygrene.
- Capitalized Interest. Because assessments are placed on County tax rolls only once each year, it may be several months before the assessment appears on your property tax bill. Consequently, interest from the funding date until the assessment is placed on the tax roll will be added to the funding and you will have no payments for that period. Ygrene estimates capitalized interest on the Estimated Settlement Statement and itemizes the final amount on the Final Closing Statement.
- Prepayment. In the event you elect to pay the assessment in full before the end of the financing term, Ygrene may impose a prepayment premium not to exceed 5% of the unpaid principal balance on the assessment. You should ask your Certified Contractor or a Ygrene customer service representative whether a prepayment premium will apply to your financing.

9. Program Fees

The following charges apply to the Program. Ygrene may change these charges from time to time in response to increases or decreases in the cost of providing Program services.

RESIDENTIAL PROGRAM FEE SCHEDULE

Application	\$50	Upon application submittal
Processing & Underwriting	\$250 Maximum	At disbursement*
Documentation	\$200 Maximum	At disbursement*
Program Cost Recovery	Not to exceed 1% minimum \$100	At disbursement*
Funding Fee	Not to exceed 4%	At disbursement*

*These charges may be included in the principal amount to be financed.

The Auditor Controller in each county charge an annual fee for placing assessments on the

property tax roll will apply. The tax administrator, trustee and loan servicer have similar fees. These fees are estimated to be approximately \$50 per year, but may be more in some counties.

9. Special Taxes & Foreclosures

A property owner must pay the agreed upon special assessment regardless of personal financial circumstances, the condition of the property, or the performance of the Authorized Improvements. Property owners should not apply for financing if they are not certain they can meet the assessment obligations. The failure to pay property taxes in full or in part will result in financial repercussions including penalties, interest and possibly foreclosure. If property owners use an escrow account (impound) to pay their property taxes, they should notify the escrow company of the special tax. In such cases, property owners should increase monthly payments to the escrow account by an amount equivalent to the annual special tax, divided by 12 months.

10. Compliance with Existing Mortgages

Recordation of the Notice of Assessment Lien will establish a continuing lien as security for the obligation to pay the assessments. The lien will be senior to private liens, including existing mortgage(s). Many mortgage and loan documents limit the ability of borrowers to place senior liens on their property without the consent of the lender. In 2010, and as recently as August of 2014, the Federal Housing Finance Agency issued policy guidelines that question special tax liens. Program participants are encouraged to confirm with their lender(s) that participation in the Program does not violate their existing loan documents. When it approves your application, Ygrene notifies lenders on your behalf of your intention to participate in the Program.

11. Sale of the Property

Because ownership of any Authorized Improvements on the property transfers to the buyer when you sell your home, if you sell your property prior to the end of the assessment term the new owner can assume the assessment. You are obligated to make all legally required disclosures regarding the existence of the assessment lien on the property.

12. Rebates and Taxes

Participation in this Program does not reduce incentives available through federal, state, utility and other rebate programs. More information on available programs can be found online or through Certified Contractors. Property owners should consult with their tax advisors with respect to the state and federal tax benefits and consequences of participating in the Program.

13. Changes in Program Terms

Program terms, including interest rates and underwriting requirements, can change at any time. However, no such changes will affect your obligation to pay special assessments in accordance with the Program Documents. Participation in the Program is subject to the requirements of Program Report, Program Handbook and Program Documents in effect at the time you apply for financing.

APPENDIX A

AUTHORIZED IMPROVEMENTS

The Program offers financing for a variety of energy-efficiency improvements, water conservation improvements, solar and other distributed generation systems and electric vehicle charging infrastructure. In each case, any rebates received by or approved for property owners prior to funding must be deducted from the amount of financing requested. In addition, property owners are encouraged to pursue the most cost effective improvements (or combination of improvements) to maximize their long-term utility savings and return on investment. This list is not intended to be comprehensive. Any projects that measurably save energy beyond the level required by legislation, or that generate renewable energy or add to the conservation of water resources, can be financed through the program. Consult the Program Administrator for details.

Energy-Efficiency Improvements

- Air sealing and ventilation
- Air filtration
- Building envelope
- Duct leakage and sealing
- Bathroom, ceiling, attic, and whole-house fans
- Insulation
- Defect correction
- Attic, floor, walls, roof, ducts
- Weather-stripping
- Sealing
- Geothermal exchange heat pumps
- HVAC systems
- Evaporative coolers (coolers must have a separate ducting system from ducting for air-conditioning systems and heating systems)
- Natural-gas-storage water heater
- Tank-less water heater
- Solar-water-heater system
- Reflective insulation or radiant barriers
- Cool roof
- Windows and glass doors (U value of 0.40 or less and solar-heat-gain coefficient of 0.40 or less)
- Window film
- Skylights
- Solar tubes
- Additional building openings to provide additional natural light
- Lighting (fixture retrofits only)
- Pool equipment (circulating pumps, etc.)

Other Non-residential Building Improvements

- Occupancy-sensor lighting fixtures
- SMART parking-lot bi-level fixture
- SMART parking-garage bi-level fixtures
- SMART pathway lighting
- SMART wall-pack fixtures
- Task ambient office lighting
- Classroom lighting
- Refrigerator case LED lighting with occupancy sensors
- Wireless daylight-lighting controls
- Kitchen exhaust variable air-volume controls

- Wireless HVAC controls & fault detection

Renewable-Energy Improvements (Photovoltaic and Solar-Thermal Equipment)

- Solar thermal hot-water systems
- Solar thermal systems for pool heating
- Photovoltaic systems (electricity)
- Emerging technologies

Water-Conservation Improvements

- Faucet aerators
- Core-plumbing systems
- Gray-water systems
- Instantaneous hot-water heaters
- Recirculation hot-water systems
- Demand initiated hot-water systems
- Hot-water pipe insulation
- Irrigation-control systems
- Irrigation systems
- Rainwater cisterns
- Low-flow showerheads
- High-efficiency toilets
- Demand water softeners
- Whole-house water-manifold systems

The following water-conservation improvements are approved for non-residential applications:

- Cooling-condensate reuse
- Cooling-tower conductivity controllers
- Deionization equipment
- Filter upgrades
- Foundation drain water
- Industrial-process water-use reduction
- Pre-rinse spray valves
- Recycled water sources
- Urinals
- Waterless urinals

Custom Improvements

The Program Administrator can evaluate and approve financing for Eligible Improvements that are not "off the shelf" ("Custom Improvements"). Custom Improvements may involve large-scale industrial or commercial energy-efficiency improvements; processing or industrial mechanical systems; and renewable energy generation from sources such as geothermal and fuel cells. Custom Improvements that will be considered for Program funding include the following:

- Building energy-management controls
- HVAC duct zoning-control systems
- Irrigation pumps and controls
- Lighting controls
- Industrial- and process-equipment motors and controls
- Fuel cells
- Wind-turbine power systems
- Natural gas
- Hydrogen fuel
- Electric Vehicle charging stations
- Other fuel sources (emerging technologies)

- **Co-generation (heat and energy)**

**APPENDIX B
SAMPLE THREE-DAY RIGHT TO CANCEL**

Your Right to Cancel

You are entering into an Assessment Contract for financing under the Program that will result in an assessment lien being placed on your property at the following address:

Ygrene is offering you the right to cancel this transaction without cost within three (3) business days from the date you execute the Assessment Contract.

If you cancel this transaction during this three-day period, the Authority will not record the assessment lien on the property.

Acknowledgement of Receipt

I/We hereby acknowledge reading and receiving a copy of this Notice of Right to Cancel.

_____, 20____
Owner No.1 Signature Date

_____, 20____
Owner No. 2 Signature Date

_____, 20____
Owner No.3 Signature Date

_____, 20____
Owner No. 4 Signature Date

How to Cancel

If you decide to cancel this transaction, you must notify the Program Administrator in writing at 100 B Street, Santa Rosa, CA 95401 or by emailing your cancellation to laura.choi@ygrene.us. You may use any written statement that is signed and dated by you and states your intention to cancel, or you may use this notice by dating and signing below.

I Wish to Cancel

_____, 20____
Owner Signature Date

I would like to cancel my Assessment Contract for the reason(s) described below:

APPENDIX C UNDERWRITING REQUIREMENTS

Underwriting. All property owners, and improved properties in the District(s) that meet the Program's criteria for approved property types, must meet the following underwriting criteria for participation:

- **Address.** The property must be improved or will be improved by the project, be located within the Program boundaries and must be on the property tax rolls or capable of being added to the rolls.
- **Applicant.** All owners of record must agree to participate and be willing to execute the Financing Agreement.
- **Mortgage Debt.** Prior to Program funding, mortgage debt must not exceed a certain percentage of the market value of the property as set forth on the Program website. Total debt on the property including Program financing must not exceed the market value of the property. For property owners who obtain lender consent, these requirements may be waived.
- **Mortgage Payments.** Property owners must have no recorded notice of default on the property during the period specified on the Program website. For property owners who obtain lender consent, this requirement may be waived.
- **Property Taxes.** Property owners must be current on their property taxes.
- **Bankruptcy.** Property owners must not be in bankruptcy.
- **Involuntary Liens.** There must be no involuntary liens on the property that reflect financial distress.
- **Maximum Financing.** Funding requests must not exceed limits provided by the Act. Projects with funding requests exceeding \$100,000 may require additional underwriting during the project approval phase.
- **Minimum Financing.** Minimum funding request is \$2,500.
- **Other:** Property owners must authorize Ygrene to notify all existing mortgage holders of their intent to participate in the program.
- Property owners may be asked to provide utility records for the property for the two years prior to completion of the project.
- For property owners whose FICO score is 700 or greater, as reported by Equifax, Experian, TransUnion or other reputable national credit bureau, the requirements above related to mortgage debt currency, late payment of mortgages, property tax currency and involuntary liens may be waived.

These requirements may change from time to time. The most up-to-date Program requirements are available on the Program website or from a Ygrene customer service representative.

**CALIFORNIA CLEAN ENERGY PROGRAM
CALIFORNIA HOME FINANCE AUTHORITY**

AB 814 COMMERCIAL PROGRAM HANDBOOK

The California Home Finance Authority ("the Authority") has established a California Clean Energy PACE funding program (the "Program"). For details of the Program policies and goals please refer to the California Clean Energy Program Report. In order to apply for Program financing, property owners must read and acknowledge receipt of the Program Report and this Program Handbook that accompanies it.

The Program Handbook, along with the documents you will execute with your participation in the Program (the "Program Documents"), outlines the Program process and requirements. It is important that property owners understand the provisions of this Program Handbook and the attached Program Documents. The Authority has contracted with Ygrene Energy Fund ("Ygrene") to act as the Program Administrator. Ygrene reserves the right to amend this Program Handbook from time to time as described below.

1. Purpose of the Program

The Program helps owners finance the installation of a wide range of energy efficiency and water conservation improvements on their property. The financing and the administrative costs are repaid through a voluntary special assessment that is added to your property tax bill. Because there are many types of financing available, we recommend that you investigate whether this is your best financing option, and seek help from your finance or tax professionals if you have questions.

2. Summary of the Program Process

As discussed in more detail below, obtaining Program financing involves the following steps.

- Determine that your property meets the eligibility requirements (see 'Eligibility').
- Apply either directly or through a Certified Contractor of your choosing (see 'Applications').
- Pay the application fee.
- Authorize Ygrene to notify your lender or lenders that you intend to participate in the Program.
- Receive a Notice of Approval from Ygrene.
- Sign and notarize or electronically verify signatures on the Assessment Contract.
- Submit a Construction Contract through your Certified Contractor for the installation of the improvements (Authorized Improvements) on your property.
- Receive a Notice to Proceed and authorize your contractor to begin construction.

- Submit a Payment Request upon project completion.
- Pay the special assessment when it appears on your property tax bill.

3. Eligibility

The Program can be used to finance Authorized Improvements on all types of private property – office, retail, industrial, agricultural. Contact Ygrene or your Certified Contractor if you have questions about the type of installation you plan. This Program Handbook sets forth the terms and conditions that are applicable to most commercial properties:

- The property must be located within a city or county that has agreed to participate in the Program.
- All of the owners of the property, including representatives of any entities that are on title, must sign the Program Documents. Therefore, before submitting an application, you must ensure that each person or business entity with an ownership interest will agree to participate.
- Payments must be current for all obligations secured by the property including loans, property taxes, assessments and tax liens and no owner may be in bankruptcy. Certain allowances may be made for property tax payment delays that do not reflect financial distress.
- The total debt secured by the property (before the addition of the Program financing) cannot exceed 90% of the fair market value. To determine this Ygrene will check mortgages, equity lines of credit, assessments and tax liens.
- In some cases Ygrene may request additional information during the approval process. These requests are common when commercial property is held by trusts or entities other than individuals; but may be made for other reasons at Ygrene's discretion.

Please see the list of underwriting criteria and considerations attached as Exhibit C.

4. Application

If you want to participate in the Program, you must submit an online application and pay an application fee. Ygrene provides telephone assistance for property owners who have questions, need help applying, or would prefer to fill out a paper form. In addition, Certified Contractors are familiar with the application process and can coordinate with Ygrene on your behalf. Following are the steps:

- Submit an application form, either online or printed and signed, and the required application fee.
- Following review of the Application by Ygrene, you will receive a Notice of Approval, a Notice of Denial or a request for additional information. In some cases a Ygrene representative will contact you to obtain additional information about ownership and other elements of your project prior to issuing a notice
- At the time Ygrene issues your Notice of Approval, it will submit notification forms on your behalf to all lenders with secured loans on your property.
- Once your application is approved a Ygrene representative will prepare electronic documents for signature by all property owners. These documents include the Assessment Contract which is the financing agreement through which you agree to annex your property into the District, pay the assessment when due and authorize recordation of the assessment lien on your property. You have three days after signing to cancel the agreement if you decide not to participate in the Program.

- Once it confirms approval, Ygrene can process information received from your Certified Contractor in preparation for issuing a Notice to Proceed with construction (see Project Approval below).
- Should your application be denied for any reason, the Notice of Denial will include recommended remedial action that you can pursue.

5. General Provisions

The following apply to all projects submitted for funding under the Program:

- Only Authorized Improvements are eligible for funding. A list of Authorized Improvements is provided in Appendix A. You should consult with your Certified Contractor to ensure that the improvements you plan to install on your property qualify under the Program guidelines.
- Neither the Authority nor Ygrene can assume responsibility for installation of the Authorized Improvements or their performance. The Certified Contractor that provides construction services for your project works for you and you are responsible to approve the quality and completeness of their work.
- Under the PACE law, Authorized Improvements must be permanently affixed to the property. Free-standing appliances, light bulbs and similar products that can be unplugged and removed from the property are not Authorized Improvements.
- Authorized Improvements must be installed by Certified Contractors that are listed on the Program website or available from a Ygrene customer service representative. Sub-contractors may work under the supervision of a Certified Contractor without being certified by the Program.
- The minimum Program funding is \$2,500, however commercial underwriting and title costs can result in fees that make Program financing impractical for very small commercial projects.
- The total of all Program funding on your property cannot exceed (i) 15% of the fair market value of the property, (ii) an amount that, when added to your existing secured indebtedness, exceeds 100% of the fair market value of the property, or (iii) the final cost of installing the Authorized Improvements, including Program fees and applicable capitalized interest. In no event will Program funding exceed the amount authorized under applicable Program policies or State law.

6. Contractors and Construction

You can begin working with a Certified Contractor before or after you apply to the Program. If you consult with them early, you may be able to submit for project approval at the time you apply. Ygrene cannot issue a notice to proceed with construction until you select a Certified Contractor and provide information about the nature and cost of improvements you wish to finance. This information can be in the form of a Construction Contract or project cost breakdown. The following are the steps that lead to construction authorization:

- Select a contractor that is currently certified or ask your contractor to obtain Program certification. A list of Certified Contractors is available on the Program website or from a Ygrene customer service representative. You may wish to obtain bids and advice from more than one Certified Contractor.
- Work with your selected Certified Contractor to determine project scope, obtain bids, verify that the proposed work qualifies for funding and help complete the approval process with Ygrene.

- Once Ygrene approves the project, it will prepare the **Assessment Contract** and other financing documents and submit them to you for electronic signatures. All owners of the property must sign these documents and obtain electronic third party verification of their signatures.
- As soon as Ygrene receives completed documents, it can authorize construction with a **Notice to Proceed**. It will help expedite approvals if you select and consult with your **Certified Contractor** early in the process.
- If you begin construction prior to receipt of Ygrene's **Notice to Proceed**, you run the risk of not qualifying for Program funding.
- If Ygrene denies the project, it will issue a **Notice of Denial** letter that outlines remedies you may employ to obtain approval.

7. Funding

- Once your **Certified Contractor** completes installation of the **Authorized Improvements**, they can help you submit a **Payment Request**. They will also be required to provide the project verification documents listed below. Ygrene will review your submittal, produce final Program forms, and email or mail them to you in accordance with your instructions. Once Ygrene receives the executed documents it will schedule funding – usually within a few days. The following are requirements for funding:
 - i. A final sign-off on the building permit for the project from the authorized building official in the participating jurisdiction.
 - ii. Final invoices and lien releases from all **Certified Contractors** and any sub-contractors or materials providers who worked on the project.
 - iii. A signed **Estimated Settlement Statement**
 - iv. A signed **Right to Receive Financing Proceeds** form if the payment is to be assigned to someone other than the property owner.
- Unless Ygrene authorizes additional time, property owners must sign and return the closing documents to Ygrene within seven (7) days following transmittal of a **Payment Request**, or the request may expire. In that event, an updated **Payment Request** will be required. If the Program interest rate changes between the date of the original funding request and an updated request, the interest rate may increase.
- Following final review Ygrene will reconfirm eligibility of the project and the final assessment details and approve issuance of checks or bank wires in accordance with your instructions.
- In the event you cancel the financing after submitting a request for funding, all expenses incurred by the Program for recording and removing tax liens, preparing bond documents and other district and Ygrene costs will be your responsibility. Property owners may also be responsible for expenses incurred by contractors according to their construction agreements. Unless Ygrene approves multiple payments during the course of construction, it will not release funds if the work has not been completed and the building permit closed.

8. Repayment

- In order to receive funding, property owners agree to pay special assessments in an amount adequate to repay the financing including (i) the principal amount received from the Program, (ii)

interest on the principal amount received from the Program and (iii) initial and on-going administrative expenses.

- **Principal.** This is the total amount disbursed at closing. It can include construction and materials costs, Program fees, permits, energy audit expenses, application fees and capitalized interest (see "Capitalized Interest" below).
- **Interest Rate.** This is the interest rate that is applied to the Principal in the amortization schedule that calculates the annual tax payment required to repay the financing. The interest rate will be fixed for the full term of the assessment. The rate will be set on the date the property owner signs the assessment contract and will be locked for the then applicable rate-lock period as published on the Program website and/or available by contacting Ygrene.
- **Capitalized Interest.** Because assessments are placed on County tax rolls only once each year, it may be several months before the assessment appears on your property tax bill. Consequently, interest from the funding date until the assessment is placed on the tax roll will be added to the funding and you will have no payments for that period. Ygrene estimates capitalized interest on the Estimated Settlement Statement and itemizes the final amount on the Final Closing Statement.
- **Prepayment.** In the event you elect to pay the assessment in full before the end of the financing term, Ygrene may impose a prepayment premium not to exceed 5% of the unpaid principal balance on the assessment. You should ask your Certified Contractor or a Ygrene customer service representative whether a prepayment premium will apply to your financing.

9. Program Fees

The following charges apply to the Program. Ygrene may change these charges from time to time in response to increases or decreases in the cost of providing Program services.

COMMERCIAL PROGRAM FEE SCHEDULE

Application	\$250	Upon application submittal
Processing & Underwriting	\$250 or Cost Recovery	At disbursement*
Documentation	\$400 Maximum	At disbursement*
Recording & Disbursement	\$250 Maximum	At disbursement*
Program Cost Recovery	Not to exceed 1% minimum \$500	At disbursement*
Funding Fee	Not to exceed 4%	At disbursement*

*These charges may be included in the principal amount to be financed.

The Auditor Controller in each county charges an annual fee for placing assessments on the property tax roll. The tax administrator, trustee and loan servicer have similar fees. These fees are estimated to be approximately \$50 per year, but may be more in some counties.

10. Special Taxes & Foreclosures

A property owner must pay the agreed upon special assessment regardless of personal financial circumstances, the condition of the property, or the performance of the Authorized Improvements. Property owners should not apply for financing if they are not certain they can meet the assessment obligations. The failure to pay property taxes in full or in part will result in financial repercussions including penalties, interest and possibly foreclosure.

11. Compliance with Existing Mortgages

Recordation of the Notice of Assessment Lien as described in the Assessment Contract will establish a continuing lien as security for the obligation to pay the assessments. The lien will be senior to private liens, including existing mortgage(s). Many loan documents limit the ability of borrowers to place senior liens on their property without the consent of the lender. Program participants are encouraged to confirm with their lender(s) that participation in the Program does not violate their existing loan documents. When it approves your application, Ygrene notifies lenders on your behalf of your intention to participate in the Program.

12. Sale of the Property

Because ownership of any Authorized Improvements on the property transfers to the buyer when you sell the property, if you do so prior to the end of the assessment term the new owner can assume the assessment. You are obligated to make all legally required disclosures regarding the existence of the assessment lien on the property.

13. Rebates and Taxes

Participation in this Program does not reduce incentives available through federal, state, utility and District sponsored rebate programs. More information on available programs can be found online or through Certified Contractors. Property owners should consult with their tax advisors with respect to the state and federal tax benefits and consequences of participating in the Program.

14. Changes in Program Terms

Program terms, including interest rates and underwriting requirements, can change at any time. However, no such changes will affect your obligation to pay special assessments in accordance with the Program Documents. Participation in the Program is subject to the requirements of Program Report, Program Handbook and Program Documents in effect at the time you apply for financing.

APPENDIX A

AUTHORIZED IMPROVEMENTS

The Program offers financing for a variety of energy-efficiency improvements, water conservation improvements, solar and other distributed generation systems and electric vehicle charging infrastructure. In each case, any rebates received by or approved for property owners prior to funding must be deducted from the amount of financing requested. In addition, property owners are encouraged to pursue the most cost effective improvements (or combination of improvements) to maximize their long-term utility savings and return on investment. This list is not intended to be comprehensive. Any projects that measurably save energy beyond the level required by legislation, or that generate renewable energy or add to the conservation of water resources, can be financed through the program. Consult the Program Administrator for details.

Energy-Efficiency Improvements

- Air sealing and ventilation
- Air filtration
- Building envelope
- Duct leakage and sealing
- Bathroom, ceiling, attic, and whole-house fans
- Insulation
- Defect correction
- Attic, floor, walls, roof, ducts
- Weather-stripping
- Sealing
- Geothermal exchange heat pumps
- HVAC systems
- Evaporative coolers (coolers must have a separate ducting system from ducting for air-conditioning systems and heating systems)
- Natural-gas-storage water heater
- Tank-less water heater
- Solar-water-heater system
- Reflective insulation or radiant barriers
- Cool roof
- Windows and glass doors (U value of 0.40 or less and solar-heat-gain coefficient of 0.40 or less)
- Window film
- Skylights
- Solar tubes
- Additional building openings to provide additional natural light
- Lighting (fixture retrofits only)
- Pool equipment (circulating pumps, etc.)

Other Non-residential Building Improvements

- Occupancy-sensor lighting fixtures
- SMART parking-lot bi-level fixture
- SMART parking-garage bi-level fixtures
- SMART pathway lighting
- SMART wall-pack fixtures
- Task ambient office lighting
- Classroom lighting
- Refrigerator case LED lighting with occupancy sensors
- Wireless daylight-lighting controls
- Kitchen exhaust variable air-volume controls
- Wireless HVAC controls & fault detection

Renewable-Energy Improvements (Photovoltaic and Solar-Thermal Equipment)

- Solar thermal hot-water systems
- Solar thermal systems for pool heating
- Photovoltaic systems (electricity)
- Emerging technologies

Water-Conservation Improvements

- Faucet aerators
- Core-plumbing systems
- Gray-water systems
- Instantaneous hot-water heaters
- Recirculation hot-water systems
- Demand initiated hot-water systems
- Hot-water pipe insulation
- Irrigation-control systems
- Irrigation systems
- Rainwater cisterns
- Low-flow showerheads
- High-efficiency toilets
- Demand water softeners
- Whole-house water-manifold systems

The following water-conservation improvements are approved for non-residential applications:

- Cooling-condensate reuse
- Cooling-tower conductivity controllers
- Deionization equipment
- Filter upgrades
- Foundation drain water
- Industrial-process water-use reduction
- Pre-rinse spray valves
- Recycled water sources
- Urinals
- Waterless urinals

Custom Improvements

The Program Administrator can evaluate and approve financing for Eligible Improvements that are not "off the shelf" ("Custom Improvements"). Custom Improvements may involve large-scale industrial or commercial energy-efficiency improvements; processing or industrial mechanical systems; and renewable energy generation from sources such as geothermal and fuel cells. Custom Improvements that will be considered for Program funding include the following:

- Building energy-management controls
- HVAC duct zoning-control systems
- Irrigation pumps and controls
- Lighting controls
- Industrial- and process-equipment motors and controls
- Fuel cells
- Wind-turbine power systems
- Natural gas
- Hydrogen fuel
- Electric Vehicle charging stations
- Other fuel sources (emerging technologies)
- Co-generation (heat and energy)

**APPENDIX B
SAMPLE THREE-DAY RIGHT TO CANCEL**

Your Right to Cancel

You are entering into an Assessment Contract for financing under the Program that will result in an assessment lien being placed on your property at the following address:

Ygrene is offering you the right to cancel this transaction without cost within three (3) business days from the date you execute the Assessment Contract.

If you cancel this transaction during this three-day period, the Authority will not record the assessment lien on the property.

Acknowledgement of Receipt

I/We hereby acknowledge reading and receiving a copy of this Notice of Right to Cancel.

_____, 20____
Owner No. 1 Signature Date

_____, 20____
Owner No. 2 Signature Date

_____, 20____
Owner No. 3 Signature Date

_____, 20____
Owner No. 4 Signature Date

How to Cancel

If you decide to cancel this transaction, you must notify the Program Administrator in writing at 100 B Street, Santa Rosa, CA 95401 or by emailing your cancellation to laura.choi@ygrene.us. You may use any written statement that is signed and dated by you and states your intention to cancel, or you may use this notice by dating and signing below.

I Wish to Cancel

_____, 20____
Owner Signature Date

I would like to cancel my Assessment Contract for the reason(s) described below:

APPENDIX C UNDERWRITING REQUIREMENTS

Underwriting. All property owners, and improved properties in the District(s) that meet the Program's criteria for approved property types, must meet the following underwriting criteria for participation:

- Address. The property must be improved or will be improved by the project, be located within the program boundaries and must be on the property tax rolls or capable of being added to the rolls.
- Applicant. All owners of record must agree to participate and be willing to execute the Financing Agreement.
- Mortgage Debt. Prior to Program funding, mortgage debt must not exceed a certain percentage of the market value of the property as set forth on the Program website. Total debt on the property including Program financing must not exceed the market value of the property. For property owners who obtain lender consent, these requirements may be waived.
- Mortgage Payments. Property owners must have no recorded notice of default on the property during the period specified on the Program website. For property owners who obtain lender consent, this requirement may be waived.
- Property Taxes. Property owners must be current on their property taxes.
- Bankruptcy. Property owners must not be in bankruptcy.
- Involuntary Liens. There must be no involuntary liens on the property that reflect financial distress.
- Maximum Financing. Funding requests must not exceed limits provided by the Act. Projects with funding requests exceeding \$100,000 may require additional underwriting during the project approval phase.
- Minimum Financing. Minimum funding request is \$2,500.
- Other: Property owners must authorize Ygrene to notify all existing mortgage holders of their intent to participate in the program.
- Property owners may be asked to provide utility records for the property for the two years prior to completion of the project.
- For property owners whose FICO score is 700 or greater, as reported by Equifax, Experian, TransUnion or other reputable national credit bureau, the requirements above related to mortgage debt currency, late payment of mortgages, property tax currency and involuntary liens may be waived.

These requirements may change from time to time. The most up-to-date Program requirements are available on the Program website or from a Ygrene customer service representative.

CALIFORNIA HOME FINANCE AUTHORITY

RESOLUTION NO. 2014-09

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CALIFORNIA HOME FINANCE AUTHORITY AUTHORIZING ISSUANCE OF THE LIMITED OBLIGATION IMPROVEMENT BONDS, APPROVING AND DIRECTING THE EXECUTION OF RELATED DOCUMENTS AND APPROVING RELATED ACTIONS

WHEREAS, on September 26, 2014, the Board of Directors of the California Home Finance Authority (“Authority”) adopted Resolution No. 2014-05, “Resolution of the Board of the California Home Finance Authority Declaring Its Intention to Finance Distributed Generation Renewable Energy Sources and Energy Efficiency Improvements Through the Use of Voluntary Contractual Assessments Pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code and Setting a Public Hearing Thereon” (the “Resolution of Intention”), to initiate proceedings pursuant to Chapter 29 of Part 3 of Division 7 of the Streets & Highways Code of the State of California (“Chapter 29”), and the Joint Exercise of Powers Agreement of the California Home Finance Authority (“Authority”), originally made and entered July 1, 1993, as further amended to date, for implementation of a property-assessed clean energy (“PACE”) program to finance the installation of distributed generation renewable energy sources, energy or water efficiency improvements or electric vehicle charging infrastructure, the Authority proposed to establish the CHF PACE Program, to assist property owners within the jurisdictional boundaries of each Participating Party (as defined below) with the cost of installing distributed generation renewable energy sources, energy and water efficiency improvements and electric vehicle charging infrastructure (the “Authorized Improvements”) that are permanently fixed to real property; and

WHEREAS, by the Resolution of Intention, the Board of Directors provided that one or more series of limited obligation improvement bonds would be issued under the Improvement Bond Act of 1915, Division 10 of the Streets and Highways Code of California (the “Bond Act”) and Chapter 29 or other financing relationships would be entered to finance the installation of Authorized Improvements within the jurisdictional boundaries (the “Program Area”) of those current or future Members and Associate Members whose governing bodies have approved and consented to their inclusion in the CHF PACE Program (the “Participating Parties”); and

WHEREAS, on December 10, 2014, after holding a duly noticed public hearing at which interested persons were allowed to object to or inquire about the proposed CHF PACE Program, the report prepared pursuant to Section 5898.22 of Chapter 29 addressing all of the matters required to be included therein (the “Program Report”) or any of its particulars, the Board of Directors adopted Resolution No. 2014-08, entitled “Resolution Confirming the Report Relating to the Financing of the Installation of Distributed Generation Renewable

Energy Sources, Energy Efficiency and Water Efficiency Improvements and Electric Vehicle Charging Infrastructure and Approving and Ordering Other Related Matters,” (the “Resolution Confirming Program Report”), pursuant to which the Board of Directors, among other things, (i) confirmed and approved the Program Report, (ii) established the CHF PACE Program; (iii) approved the form and authorized execution of agreements (“Assessment Contracts”) with the owners of property located within the boundaries of the Program Area to provide for the levy of such voluntary contractual assessments (the “Contractual Assessments”) to finance installation of Authorized Improvements; and (iv) authorized the filing of a civil validation action under California Government Code section 53111 and Code of Civil Procedure sections 860 *et seq.* in Sacramento County Superior Court seeking a validation judgment that the contractual assessments, bonds, contracts, obligations or evidences of indebtedness arising out of the establishment and implementation of the CHF PACE Program and all matters, agreements and procedures related thereto, are in all respects legal, valid and binding; and

WHEREAS, pursuant to Chapter 29 and the Resolution Confirming Program Report, the Authority is authorized to (i) enter into Contractual Assessments to finance the installation of Authorized Improvements on parcels in the Program Area that are deemed “Residential” as such term is defined in the Program Report (“Residential Parcels”) and (ii) enter into Contractual Assessments to finance the installation of Authorized Improvements on parcels in the Program Area that are deemed “Commercial” as such term is defined in the Program Report (“Commercial Parcels”); and

WHEREAS, prior to entering into contractual assessments to finance or refinance the installation of Authorized Improvements the Authority will require the following:

(i) if real property to be assessed is located in the unincorporated territory of a County, such County’s board of supervisors must have consented by adopting a resolution consenting to the inclusion of parcels within its jurisdiction in the CHF PACE program and authorizing CHF to levy assessments; and

(ii) if real property to be assessed is located in the incorporated territory of a city, such city’s city council must have consented by adopting a resolution consenting to the inclusion of parcels within its jurisdiction in the CHF PACE Program and authority the Authority to levy assessments;; and

WHEREAS, it is in the public interest and for the benefit of the Authority and the owners of Residential Parcels or Commercial Parcels that will be participate in the CHF PACE Program to finance the installation of Authorized Improvements to serve and benefit such parcels that the Authority provide for the issuance of one or ore series or subseries of limited obligation improvement bonds(the “Bonds”) to finance such Authorized Improvements, the disbursement of proceeds of such Bonds, the disposition of the assessments securing such Bonds and the administration and payment of such Bonds; and

WHEREAS, there have been made available to the Board of Directors the following documents and agreements:

(i) a proposed form of one or more Trust Indentures (each a "Trust Indenture") (Attachment F) providing for the issuance of the Bonds in series or subseries form time to time; and

(ii) a proposed form of one or more Bond Purchase and Draw-Down Agreements (each a "Purchase Agreement") (Attachment G) to be entered into by CHF relating to the Bonds; and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including Chapter 29 and the Bond Act;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Home Finance Authority as follows:

Section 1. Authorization of the Issuance of the Bonds. The Board of Directors hereby authorizes the issuance of one or more series or subseries of the Bonds under and pursuant to Chapter 29 and the Bond Act.

Section 2. Approval of Trust Indenture. The Board of Directors hereby approves the proposed form of Trust Indenture. The Executive Director of the Authority, or any designee of the Executive Director (each an "Authorized Representative") is hereby authorized to execute and deliver one or more Trust Indentures, substantially in the form on file with the Secretary, together with any changes therein and additions thereto approved by the Authorized Representative executing the same, with advice of counsel, and the execution thereof by an Authorized Representative shall be conclusive evidence of the approval of any such changes or additions. The Board of Directors hereby authorizes the delivery and performance of each Trust Indenture for the applicable series or subseries of the Bonds.

Section 3. Sale of the Bonds. The Board of Directors hereby authorizes the sale of the Bonds to Ygrene Energy Fund, Inc. ("Ygrene") or any assignee thereof approved by the Authority (the "Bonds Purchaser") provided that the conditions for issuance of any series or subseries of Bonds set forth in the applicable Trust Indenture have been satisfied. Each Bond shall be sold to Ygrene pursuant to (i) the applicable Purchase Agreement and (ii) the applicable Trust Indenture. The Authority Board hereby delegates to the Authority Executive Director the authority to establish and agree with the Bonds Purchaser to the final terms for each Bond or Series thereof including, but not limited to, the principal amount thereof, the interest rate on such Bonds or Series thereof, and the redemption provisions.

Section 4. Approval of Purchase Agreements. The Board of Directors hereby approves the proposed form of Purchase Agreement. Any Authorized Representative is hereby authorized to execute and deliver one or more Purchase Agreement substantially in the form on file with the Secretary, together with any changes therein and additions

thereto approved by the Authorized Representative executing the same, with advice of counsel, and the execution thereof by an Authorized Representative shall be conclusive evidence of the approval of any such changes or additions. The Board of Directors hereby authorizes the delivery and performance of each Purchase Agreement for the applicable series or subseries of the Bonds.

Section 5. Appointment of Trustee. Zions First National Bank is appointed as Trustee pursuant to the Trust Indenture to take any and all actions provided for therein to be taken by the Trustee.

Section 6. Form of Bonds. The forms of Bonds as set forth in the form of Trust Indenture are approved. The Executive Director of the Authority and the Secretary are authorized and directed to execute by manual or facsimile signature, in the name and on behalf of the Authority, the Bonds in either temporary or definitive form and to deliver or cause the delivery of each Bond to the Bonds Purchaser pursuant to the Trust Indenture.

Section 7. Official Actions. Each Authorized Representative is hereby authorized and directed, for and in the name and on behalf of CHF, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the issuance and sale of the Bonds and any of the other transactions contemplated by the documents approved pursuant to this Resolution. All actions heretofore taken by the officers and agents of CHF with respect to the establishment of the CHF PACE Program and the sale and issuance of the Bonds are hereby approved, confirmed and ratified.

Section 8. Authorization to File Validation Action. The Authority's special counsel, Best, Best & Krieger LLP is hereby authorized and directed to file and prosecute on the Authority's behalf, against all persons interested in the matter, a civil validation action under California Government Code section 53311 and Code of Civil Procedure section 860 *et seq.*, seeking a judgment of the Sacramento County Superior Court that the Bonds and all procedures taken by the Authority with respect to the issuance of the Bonds are in all respects proper, legal, valid and binding.

Section 9. Effective Date. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a meeting of the Board of Directors of the California Home Finance Authority held on December 10, 2014 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

, Chair

ATTEST:

Secretary of the Board

CALIFORNIA HOME FINANCE AUTHORITY

and

ZIONS FIRST NATIONAL BANK,
as Trustee

TRUST INDENTURE

Dated as of [Dated Date]

Relating to

California Home Finance Authority
PACE Program Limited Obligation Improvement Bonds
Series 2015A
Series 2015B
Series 2015C

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EXHIBIT A FORMS OF DRAWDOWN BONDS

EXHIBIT B FORMS OF SUB-SERIES BONDS

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EXHIBIT E FORM OF INVESTOR LETTER (from investors in Sub-Series Bonds)

EXHIBIT F TRUSTEE FEE SCHEDULE

TRUST INDENTURE

This TRUST INDENTURE dated as of [Dated Date] (this “**Indenture**”), by and between the CALIFORNIA HOME FINANCE AUTHORITY, a California joint exercise of powers authority (the “**Issuer**”), and ZIONS FIRST NATIONAL BANK, a national banking association organized and existing under and by virtue of the laws of the United States, and being duly qualified to accept and administer the trusts created hereby, as trustee (the “**Trustee**”),

WITNESSETH:

WHEREAS, the Issuer is authorized under Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “**Act**”) and a joint exercise of powers agreement entered into by a number of California counties and cities in accordance with the Act to authorize contractual assessments to finance or refinance the installation of distributed generation renewable energy sources, energy efficiency improvements, water efficiency improvements, and electric vehicle charging infrastructure that are permanently fixed to real property, all in accordance with Chapter 29 of Part 3 of Division 7 of the Streets & Highways Code of the State of California, as amended (“**Chapter 29**”) (the “**Qualifying Improvements**”); and

WHEREAS, on September 26, 2014, pursuant to Resolution No. 2014-05 (the “**Resolution of Intention**”), the Board of the Issuer declared its intention to establish a voluntary contractual assessment program to assist property owners with the cost of installing Qualifying Improvements (the “**Program**”) in any California city or county that is a full or associate member of the Issuer, the legislative body of which has consented to the participation of properties within its jurisdictional boundaries in the Program (the “**Covered Jurisdictions**”); and

WHEREAS, the Resolution of Intention directed the Executive Director of the Issuer or the designee thereof to prepare or cause to be prepared and to file with the Secretary of the Issuer a report (the “**Program Report**”) addressing all of the matters set forth in Sections 5898.22 and 5898.23 of Chapter 29; and

WHEREAS, on December 10, 2014, pursuant to Resolution No. 2014-08 (the “**Resolution Confirming Report**”), the Board of the Issuer confirmed the Program Report and established the Program in the Covered Jurisdictions, subject to the limitations set forth in the Resolution of Intention; and

WHEREAS, pursuant to Chapter 29 and the Resolution Confirming Report, the Issuer is authorized to enter into contractual assessments to finance or refinance the installation of Qualifying Improvements in the Covered Jurisdictions, subject to the limitations set forth in the Resolution of Intention; and

WHEREAS, pursuant to the Resolution of Intention, the Board of the Issuer provided for the issuance of one or more series of limited obligation improvement bonds from time to time pursuant to the Improvement Bond Act of 1915, Division 10 of the Streets and Highways Code of the State of California (the “**Bond Act**”) for the purpose, among others, of financing or refinancing the installation of Qualifying Improvements; and

WHEREAS, on December 10, 2014, pursuant to Resolution No. 2014-09 (the “**Resolution of Issuance**”), the Board of the Issuer authorized the issuance of one or more series of limited obligation improvement bonds from time to time pursuant to Chapter 29, the Bond Act and one or more trust

indentures for the purpose, among others, of financing or refinancing the installation of Qualifying Improvements; and

WHEREAS, the Issuer has determined to issue its PACE Program Limited Obligation Improvement Bonds, Series 2015A, Series 2015B and Series 2015C (collectively, the “Series 2015 Bonds”) as provided in this Indenture for the purpose, among others, of financing or refinancing the installation of Qualifying Improvements;

WHEREAS, the Series 2015 Bonds shall be issued as three separate draw-down bonds in an unlimited aggregate principal amount, as follows:

- (a) a Series 2015A Drawdown Bond, which shall be drawn in connection with Assessment Contracts (as defined herein) having a 20-year Assessment (as defined herein) term (the “**Series 2015A Drawdown Bond**”);
- (b) a Series 2015B Drawdown Bond, which shall be drawn in connection with Assessment Contracts having a 15-year Assessment term (the “**Series 2015B Drawdown Bond**”); and
- (c) a Series 2015C Drawdown Bond, which shall be drawn in connection with Assessment Contracts having a 10-year Assessment term (the “**Series 2015C Drawdown Bond**” and, together with the Series 2015A Drawdown Bond and the Series 2015B Drawdown Bond, the “**Drawdown Bonds**”); and

WHEREAS, additional series of limited obligation improvement bonds may be issued by the Issuer under one or more separate trust indentures setting forth the particular terms of such additional series; and

WHEREAS, Ygrene Energy Fund Inc. (together with any successor thereto or replacement thereof appointed by the Issuer under the Purchase Agreement hereinafter referred to, the “**Purchaser**”) will purchase the Drawdown Bonds and pay the purchase price of the Drawdown Bonds by making Advances (as defined herein) pursuant to and in accordance with this Indenture and the Bond Purchase and Draw-Down Agreement (the “**Purchase Agreement**”) among the Issuer, the Trustee, the Program Administrator, the Purchaser and the Escrow Agent; and

WHEREAS, each Advance under each Drawdown Bond will be considered a sub-series of such Drawdown Bond, will be registered by the Trustee with a separate sub-series number, will be secured solely by the Matching Collateral (hereinafter defined), will be not be cross-collateralized or cross-defaulted with any other sub-series bond, and will be designated as follows:

- (a) Each Advance under the Series 2015A Drawdown Bond will be designated as a Series 2015A Sub-Series Bond (all such Advances are collectively referred to as the “**Series 2015A Sub-Series Bonds**”);
- (b) Each Advance under the Series 2015B Drawdown Bond will be designated as a Series 2015B Sub-Series Bond (all such Advances are collectively referred to as the “**Series 2015B Sub-Series Bonds**”); and
- (c) Each Advance under the Series 2015C Drawdown Bond will be designated as a Series 2015C Sub-Series Bond (all such Advances are collectively referred to as the “**Series 2015C Sub-Series Bonds**” and, together with the Series 2015A Sub-Series Bonds and the Series 2015B Sub-Series Bonds, the “**Sub-Series Bonds**”); and

WHEREAS, the Purchaser shall have the right to transfer and sell any Sub-Series Bond or Bonds to another investor, so long as the aggregate principal amount of the Sub-Series Bond or Bonds transferred and sold to any such investor equals or exceeds the Minimum Transfer Amount (as hereinafter defined) and all other conditions contained herein for the transfer of Series 2015 Bonds are met; and

WHEREAS, each Owner of a Sub-Series Bond shall have the right to transfer and sell any Sub-Series Bond or Bonds owned by it to another investor, so long as the aggregate principal amount of the Sub-Series Bond or Bonds transferred and sold to any such investor equals or exceeds the Minimum Transfer Amount (as hereinafter defined) and all other conditions contained herein for the transfer of Series 2015 Bonds are met; and

WHEREAS, the Issuer has agreed to (i) make payments sufficient to pay the principal of and interest on the Series 2015 Bonds when due (whether at maturity, by redemption or otherwise), but solely from the sources set forth herein and (ii) observe the other covenants and agreements set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual promises, representations and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

GRANTING CLAUSES

The Issuer, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Series 2015 Bonds by the Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of and interest on the Series 2015 Bonds according to their tenor and effect, and to secure the performance and observance by the Issuer of all the covenants, agreements and conditions herein and in the Series 2015 Bonds contained, does hereby transfer, pledge and assign, without recourse, to the Trustee and its successors and assigns in trust forever, and does hereby grant a security interest unto the Trustee and its successors in trust and its assigns, in and to all and singular the property described in paragraphs (a), (b), (c) and (d) below, to wit (the "**Transferred Property**"):

(a) All right, title and interest of the Issuer in and to the Pledged Revenues, the Assessments and the Assessment Contracts (as those terms are defined below); and

(b) The Funds and Accounts (including all accounts and subaccounts therein) established under this Indenture, and all moneys on deposit therein;

(c) Any and all property (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder to the Trustee, which the Trustee is hereby authorized to receive at any and all times and to hold and apply the same subject to the terms of this Indenture; and

(d) All proceeds of the foregoing.

TO HAVE AND TO HOLD, all and singular, the above-described property, with all rights and privileges hereby transferred, pledged, assigned and/or granted or agreed or intended so to be, to the Trustee and its successors and assigns in trust forever;

IN TRUST NEVERTHELESS, upon the terms and conditions herein set forth for the benefit, security and protection of all present and future Owners of the Series 2015 Bonds Outstanding; **provided however, that each Sub-Series Bond shall be secured only by the Matching Collateral for such Sub-Series Bond and shall have no lien on or right to any other collateral held by the Trustee hereunder;**

PROVIDED, NEVERTHELESS, and these presents are upon the express condition, that if the Issuer or its successors or assigns shall well and truly pay or cause to be paid the principal of such Series 2015 Bonds with interest, according to the provisions set forth in the Series 2015 Bonds, or shall provide for the payment or redemption of such Series 2015 Bonds by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment or redemption thereof when and as authorized by the provisions of Article IX (it being understood that any payment with respect to the principal of or interest on Series 2015 Bonds made by the Issuer shall not be deemed payment or provision for the payment of the principal of or interest on Series 2015 Bonds, except Series 2015 Bonds purchased and canceled by the Trustee, all such uncanceled Series 2015 Bonds to remain Outstanding and the principal of and interest thereon payable to the Owners thereof), and shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then these presents and the rights hereby granted shall cease, terminate and become void, and thereupon the Trustee, on payment of its lawful charges and disbursements then unpaid, on demand of the Issuer, shall duly execute, acknowledge and deliver to the Issuer such instruments of satisfaction or release as may be necessary or proper to discharge this Indenture of record, and if necessary shall grant, reassign and deliver to the Issuer all and singular the property, rights, privileges and interests by it hereby granted, conveyed and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as herein provided; otherwise this Indenture shall be and remain in full force;

THIS INDENTURE FURTHER WITNESSETH, and it is hereby expressly declared, covenanted and agreed by and between the parties hereto, that all Series 2015 Bonds issued and secured hereunder are to be issued, authenticated and delivered and that all the Transferred Property is to be held and applied under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer does hereby agree and covenant with the Trustee, for the benefit of the respective Owners from time to time of the Series 2015 Bonds as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.01 Definitions. The following capitalized terms, as used in this Indenture, shall have the meanings specified below unless the context otherwise shall require. All other capitalized terms which are defined in the Purchase Agreement, and not defined herein shall have the respective meanings ascribed to them in the Purchase Agreement.

“**Accounts**” means any accounts established hereunder.

“**Act**” has the meaning set forth for that term in the Recitals above.

“**Addendum**” has the meaning set forth in Section 5.01(c) of the Purchase Agreement.

“**Advance**” means each payment by the Purchaser of a portion of the purchase price of a Drawdown Bond in accordance with the terms of the Purchase Agreement. “**Advanced**” means that an Advance has been made.

"Affiliates" or **"Affiliate"** means, if with respect to an entity, (i) any manager, member, officer or director thereof and any Person who or which is, directly or indirectly, the beneficial owner of more than 10% of any class of shares or other equity security, or (ii) any Person which, directly or indirectly, controls or is controlled by or is under common control with such entity. Control (including the correlative meanings of "controlled by" and "under common control with") means effective power, directly or indirectly, to direct or cause the direction of the management and policies of such Person. With respect to a partnership or venture, "Affiliate" shall include, without limitation, any (i) general partner, (ii) general partner of a general partner, or (iii) partnership with a common general partner, and if any general partner is a corporation, any Person which is an "Affiliate" (as defined above) of such corporation. With respect to a limited liability company, "Affiliate" shall include, without limitation, any member.

"Assessment Contract" means a contract between the Issuer and the owner of a property pursuant to which the owner agrees to pay a contractual assessment securing a Sub-Series Bond pursuant to the Program and the Issuer agrees to finance or refinance the installation of the applicable Qualifying Improvements as provided therein. In addition, upon execution of an Addendum, the term "Assessment Contract", as it relates to a specific property, shall mean collectively the original Assessment Contract for such property and the related Addendum.

"Assessment Identification Instructions" has the meaning set forth in Section 2.03 hereof.

"Assessment(s)" means the unpaid contractual assessments levied pursuant to an Assessment Contract or Assessment Contracts that secure a Sub-Series Bond.

"Authorized Representative" means, (i) with respect to the Issuer, any person or persons designated to act on behalf of the Issuer by a certificate filed with the Trustee and the Program Administrator containing the specimen signatures of such person or persons and signed on behalf of the Issuer by its Chairman, Vice Chairman, Secretary or Executive Director; (ii) with respect to the Program Administrator, any person or persons designated to act on behalf of the Program Administrator by a certificate filed with the Issuer and the Trustee, containing the specimen signatures of such person or persons and signed on behalf of the Program Administrator by its President, Vice President or Secretary; and (iii) with respect to the Purchaser, any person or persons designated to act on behalf of the Purchaser by a certificate filed with the Issuer and the Trustee, containing the specimen signatures of such person or persons and signed on behalf of the Purchaser by its President, Vice President or Secretary. Each such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties and exercise all powers of an Authorized Representative.

"Bond Act" has the meaning set forth for that term in the Recitals above.

"Bond Counsel" means Best Best & Krieger LLP, or any other attorney or firm of attorneys of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by purchasers of municipal obligations and who is acceptable to the Issuer.

"Bond Documents" means, collectively, this Indenture, the Purchase Agreement, the Program Administration Agreement and the Assessment Contracts, together with all other documents or instruments executed by the Issuer which evidence, secure or pertain to the Series 2015 Bonds.

"Bond Obligations" means the obligations to pay the principal of and interest on all or any portion of the Series 2015 Bonds.

“Bond Payment Date” means each Interest Payment Date and each Principal Payment Date, and any other date on which principal or redemption price or interest shall be payable on any of the Series 2015 Bonds according to their respective terms.

“Business Day” means a day of the year which is not a Saturday or Sunday or any other day on which banks located in the city of New York, New York and banks located in the city in which the Principal Office of the Trustee is located are required or authorized by law to remain closed and on which The New York Stock Exchange is not closed.

“Closing Date” means, as to any Drawdown Bond, the date of issuance and initial funding of such Drawdown Bond. The Closing Date for a particular Drawdown Bond may be different from that of another Drawdown Bond.

“Collateral Information” has the meaning set forth in Section 3.05(d) hereof.

“Counsel” means an attorney or firm of attorneys acceptable to the Trustee and the Program Administrator, and may, but need not be, Bond Counsel, counsel to the Issuer or counsel to the Program Administrator.

“County” means any County in the State in which a parcel subject to an Assessment is located.

“Defeasance Collateral” has the meaning set forth for that term in Section 9.03 hereof.

“Drawdown Bonds” has the meaning set forth for that term in the Recitals above.

“Escrow Agent” means [Cortland Capital Market Services LLC], as Escrow Agent under the Purchase Agreement, and any successor or replacement appointed by the Issuer.

“Event of Default” means any of those events defined as Events of Default by Section 6.01 of this Indenture.

“Funds” means the funds established pursuant to Section 5.01 hereof.

“Funding Notice and Requisition” means a Funding Notice and Requisition substantially in the form attached hereto as Exhibit C.

“Governmental Authority” means the United States, the State of California and any political subdivision, agency, department, commission, board, bureau, authority or instrumentality of any of them, including any local authorities, or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of government, which has jurisdiction over the Program.

“Government Obligations” means direct obligations of, or obligations guaranteed by, the United States of America.

“Identifying Number” has the meaning set forth for that term in Section 3.05(d) hereof.

“Indenture” has the meaning set forth for that term in the Recitals above.

“Interest Payment Date” means with respect to each Sub-Series Bond, each March 2 and September 2, commencing on the March 2 or September 2 specified in the applicable Funding Notice and Requisition.

“Investment Securities” means any one or more of the following investments, if and to the extent the same are then legal investments under the applicable laws of the State for moneys proposed to be invested therein:

(a) Bonds or other obligations of the State or bonds or other obligations, the principal of and interest on which are guaranteed by the full faith and credit of the State;

(b) Bonds or other obligations of the United States or of subsidiary corporations of the United States Government which are fully guaranteed by such government;

(c) Obligations of agencies of the United States Government issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, and the Central Bank for Cooperatives;

(d) Bonds or other obligations issued by any public housing agency or municipality in the United States, which bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States government, or project notes issued by any public housing agency, urban renewal agency, or municipality in the United States and fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States government;

(e) Certificates of deposit of national or state banks, federal savings and loan associations and state building and loan associations which have deposits insured by the Federal Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depository, custodian, or trustee for any such bond proceeds. The portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, if any, shall be secured by deposit, with the Federal Reserve Bank of San Francisco, or with any national or state bank or federal savings and loan association or state building and loan or savings and loan association, of one or more the following securities in an aggregate principal amount equal at least to the amount of such excess: direct and general obligations of the State or of any county or municipal corporation in the State, obligations of the United States or subsidiary corporations included in paragraph (b) hereof, obligations of the agencies of the United States Government included in paragraph (c) hereof, or bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities included in paragraph (d) hereof;

(f) Interest-bearing time deposits, repurchase agreements, reverse repurchase agreements, rate guarantee agreements, or other similar banking arrangements with a bank or trust company having capital and surplus aggregating at least \$50 million or with any government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank having capital aggregating at least \$50 million or with any corporation which is subject to registration with the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956 and whose unsecured or uncollateralized long-term debt obligations of which are rated in the two highest letter rating categories of S&P or Moody's or whose unsecured and uncollateralized short-term debt obligations are rated in the two highest letter rating categories of S&P or Moody's at the time of purchase, provided that each such interest-bearing deposit, repurchase agreement, reverse repurchase agreement, guarantee agreement, or other similar banking arrangement shall permit the moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys;

(g) Any and all other obligations of investment grade and having a nationally recognized market, including, but not limited to, rate guarantee agreements, guaranteed investment contracts, or other similar arrangements offered by any firm, agency, business, governmental unit, bank, insurance company or other entity; provided, that each such obligation shall permit moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys;

(h) Any money market mutual fund (including those of the Trustee or any of its affiliates) registered under the Investment Company Act of 1940, as amended, so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations; or

(i) Any other investment authorized by the laws of the State, if such investment is approved in writing by the Program Administrator.

“**Issuer**” has the meaning set forth for that term in the Recitals above.

“**Legal Requirements**” means any legal requirements related to the Program, including any local, state or federal statute, law, ordinance, code, rule or regulation, now or hereinafter in effect (including environmental laws), or any order, judgment, decree, injunction, permit, license, authorization, certificate, franchise, approval, notice, demand, direction or determination of any Governmental Authority.

“**Matching Collateral**” has the meaning set forth in Section 3.08(a) hereof.

“**Maturity Date**” means with respect to each Sub-Series Bond, the date established for such Sub-Series Bond pursuant to Section 3.07 hereof.

“**Minimum Transfer Amount**” means \$100,000.

“**Moody’s**” means Moody’s Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the consent of the Program Administrator.

“**Notice Address**” means the applicable address set forth in, or provided in accordance with, Section 10.08 hereof.

“**Outstanding**” means, when used with respect to the Series 2015 Bonds, as of any date, all Series 2015 Bonds theretofore authenticated and delivered under this Indenture except:

(a) any Series 2015 Bond or any Sub-Series Bond canceled or delivered to the registrar for cancellation on or before such date;

(b) any Series 2015 Bond or any Sub-Series Bond in lieu of or in exchange for which another Series 2015 Bond or any Sub-Series Bond shall have been authenticated and delivered pursuant to Article III of this Indenture;

(c) any Series 2015 Bond or any Sub-Series Bond deemed to have been paid as provided in Section 9.02 or Section 9.03 of this Indenture; and

(d) any undelivered Series 2015 Bond or Sub-Series Bond (except for purposes of receiving the purchase price thereof upon surrender in accordance with this Indenture).

“Owner” or “Owners” means the registered owner, or owners, of the Series 2015 Bonds, including any Sub-Series Bond.

“Person” means any natural individual, corporation, partnership, trust, unincorporated association, business or other legal entity, and any government or governmental agency or political subdivision thereof.

“Pledged Revenues” means, with respect to each Sub-Series Bond, the proceeds of the related Assessments, including the interest due thereon and any applicable penalties collected by or on behalf of the Issuer (including interest, penalties and other amounts received from the sale of the property upon which any Assessment is levied by judicial foreclosure or otherwise), and including any payments pursuant to a County’s Teeter Plan with respect to the related Assessments, if applicable, but not including the administrative fee or expense component of the related Assessment installments and, with respect to each Drawdown Bond, the Pledged Revenues for all the Sub-Series Bonds issued thereunder.

“Principal Office” means, with respect to any party, the office designated as such in, or as designated by the respective party in writing pursuant to, this Indenture.

“Principal Payment Date” means with respect to each Sub-Series Bond, each September 2, commencing on the September 2 specified in the applicable Funding Notice and Requisition.

“Program” has the meaning set forth for that term in the Recitals above.

“Program Administration Agreement” means the Third Party Administration Agreement, dated as of _____, between the Issuer and the Program Administrator, as the same may be amended from time to time.

“Program Administrator” means Ygrene Energy Fund California, LLC, as Program Administrator under the Program Administration Agreement, and any successor or replacement appointed by the Issuer under the Program Administration Agreement or such other Person as is appointed by the Issuer, either on its own initiative or at the request of the then-current Program Administrator, to perform all or some of the functions of the Program Administrator under this Indenture and/or the Purchase Agreement.

“Program Report” has the meaning set forth for that term in the Recitals above.

“Purchase Agreement” has the meaning set forth for that term in the Recitals above.

“Purchaser” has the meaning set forth for that term in the Recitals above.

“Qualifying Improvements” has the meaning set forth for that term in the Recitals above.

“Record Date” means, with respect to each Bond Payment Date, the 15th day of the calendar month immediately preceding such Bond Payment Date, whether or not such day is a Business Day.

“Reserve Fund” means the fund of that name established pursuant to Section 5.02 of this Indenture.

“Resolution Confirming Report” has the meaning set forth for that term in the Recitals above.

“Resolution of Intention” has the meaning set forth for that term in the Recitals above.

“Resolution of Issuance” has the meaning set forth for that term in the Recitals above.

“Revenue Fund” means the fund of that name established pursuant to Section 5.01 of this Indenture, which is also the redemption fund for the Series 2015 Bonds under the Bond Act.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the consent of the Program Administrator.

“Schedule of Drawings” has the meaning set forth for that term in Section 3.05(a) hereof.

“Series 2015 Bond” or **“Series 2015 Bonds”** has the meaning set forth for that term in the Recitals above. For purposes of clarification and for the avoidance of doubt, the Series 2015 Bonds consist of the Drawdown Bonds including all of the Sub-Series Bonds.

“Series 2015A Drawdown Bond” has the meaning set forth for that term in the Recitals above.

“Series 2015A Sub-Series Bonds” has the meaning set forth for that term in the Recitals above.

“Series 2015B Drawdown Bond” has the meaning set forth for that term in the Recitals above.

“Series 2015B Sub-Series Bonds” has the meaning set forth for that term in the Recitals above.

“Series 2015C Drawdown Bond” has the meaning set forth for that term in the Recitals above.

“Series 2015C Sub-Series Bonds” has the meaning set forth for that term in the Recitals above.

“Sub-Series Bonds” has the meaning set forth for that term in the Recitals above.

“State” means the State of California.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Issuer and the Trustee in accordance with Article VIII hereof, amending, modifying or supplementing this Indenture.

“Tax Collector” means, with respect to each parcel subject to an Assessment, the auditor/controller or tax collector of the County in which such parcel is located, or such other official of that County who is responsible for preparing real property tax bills.

“Teeter Plan” means any alternative procedure for the distribution of property taxes and assessments adopted by a County pursuant to Revenue and Taxation Code sections 4701 through 4717.

“Transferred Property” has the meaning set forth for that term in the Recitals above

“Trustee” has the meaning set forth for that term in the Recitals above, and includes any successor trustee appointed pursuant to Section 7.08.

“Trustee Fees” means the fees of the Trustee described in Exhibit F.

“Trustee Expenses” means the reasonable fees and expenses of the Trustee for necessary extraordinary services rendered by it under this Indenture as and when the same become due, including reasonable counsel fees.

Section 1.02 Construction. In this Indenture, unless the context otherwise requires:

Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Indenture.

The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms refer to this Indenture, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of adoption of this Indenture.

Words of the masculine gender shall mean and include correlative words of the female and neuter genders, and words importing the singular number shall mean and include the plural number and vice versa.

Words importing the redemption of a Series 2015 Bond or the calling of a Series 2015 Bond for redemption do not include or connote the payment of such Series 2015 Bonds at its stated maturity or the purchase of such Series 2015 Bonds.

References in this Indenture to particular sections of the Act or any other legislation shall be deemed to refer also to any successor sections thereto or other redesignation for codification purposes.

The terms “receipt”, “received”, “recovery”, “recovered” and any similar terms, when used in this Indenture with respect to moneys or payments due the Issuer, shall be deemed to refer to the passage of physical possession and control of such moneys and payments to the Issuer, the Program Administrator, the Owners of the Series 2015 Bonds or the Trustee on its behalf.

ARTICLE II

REPRESENTATIONS AND COVENANTS OF THE ISSUER

Section 2.01 Representations by the Issuer. The Issuer represents and warrants to the Trustee and the Owners of the Series 2015 Bonds that:

- (a) The Issuer is a joint powers agency organized and existing under the laws of the State.
- (b) The Issuer has power and lawful authority to adopt the Resolution of Intention, the Resolution Confirming Report and the Resolution of Issuance, to undertake the Program, to execute and deliver the Bond Documents to which it is a party, to issue the Series 2015 Bonds and receive the proceeds of the Series 2015 Bonds, to apply the proceeds of the Series 2015 Bonds as set forth herein, to pledge the Pledged Revenues to the Trustee, and to perform and observe the provisions of the Bond Documents to which it is a party and the Series 2015 Bonds on its part to be performed and observed.
- (c) The Issuer has duly authorized the execution and delivery of each of the Bond Documents to which it is a party, the issuance, execution, sale and delivery of the Series 2015 Bonds, and the performance of the obligations of the Issuer thereunder.

(d) The Issuer is not in violation of any Legal Requirements which would affect its existence or its ability to issue, execute, sell or deliver the Series 2015 Bonds, to enter into any of the Bond Documents or to perform any of its obligations thereunder.

(e) Each Assessment Contract, when entered into, will be a valid and binding agreement of the Issuer. Each Assessment will be secured by a lien on the respective property coequal to and independent of the lien for general ad valorem taxes.

Section 2.02 Covenants of the Issuer. The Issuer hereby agrees with the Trustee and the Owners from time to time of the Series 2015 Bonds that, so long as the Series 2015 Bonds remain unpaid:

(a) The Issuer will pay or cause to be paid the principal of and the interest on the Series 2015 Bonds as the same become due, whether at maturity or upon redemption, purchase or otherwise, but solely to the extent provided in Section 10.02 hereof.

(b) The Issuer will do, execute, acknowledge, when appropriate, and deliver from time to time at the request of the Owners of the Series 2015 Bonds and/or the Trustee such further acts, instruments, financing statements and other documents as are necessary or desirable to better assure, transfer, pledge or assign to the Owners or the Trustee, and grant a security interest unto the Owners and/or the Trustee in and to the Transferred Property and the other properties and revenues herein described and otherwise to carry out the intent and purpose of the Bond Documents to which it is a party and the Series 2015 Bonds.

(c) The Issuer agrees to the payment, solely from the sources specified herein and in the Purchase Agreement, including the Transferred Property upon the exercise of remedies as described in Section 6.05 hereof, of the Trustee Fees and Trustee Expenses to the Trustee. The Purchaser shall be responsible for paying any printing costs of the Series 2015 Bonds, including any certificates required to be prepared for use in connection with any exchanges of Series 2015 Bonds, for the cost of which the Issuer shall not be liable. The Issuer also agrees to the payment, solely from the sources specified herein and in the Purchase Agreement, to the Program Administrator, of the Program Administrator Fees (as defined or set forth in the Purchase Agreement).

(d) The Issuer agrees to the payment, solely from the sources specified herein and in the Purchase Agreement, including the Transferred Property upon the exercise of remedies as described in Section 6.05 hereof, as and when the same become due, to the Trustee, of any extraordinary expenses, including, without limitation, any costs of litigation, which may be incurred by the Trustee in connection with this Indenture, including the reasonable, actually incurred costs and fees of any attorneys or other experts retained by the Trustee in connection therewith.

(e) Subject to Section 10.02 hereof, the obligations of the Issuer to make any payments required by the terms of this Indenture and the other Bond Documents, including, without limitation, the payments required in this Section 2.02, and to perform and observe the other agreements on its part contained herein and in the other Bond Documents shall be absolute and unconditional and shall not be subject to any defense (other than payment) or any right of set-off, counterclaim, abatement or otherwise, until such time as the principal of and interest on the Series 2015 Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture. The Issuer (i) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for herein or in the other Bond Documents, (ii) will perform and observe all of its other agreements contained herein and the other Bond Documents and (iii) will not suspend the performance

of its obligations hereunder and under the other Bond Documents for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, any change in the laws or administrative rulings of or administrative actions by the United States of America or the State or any political subdivision of either, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Indenture or the other Bond Documents. The Issuer may, at its own cost and expense and in its own name, prosecute or defend any action or proceeding or take any other action involving third persons which the Issuer deems reasonably necessary in order to secure or protect its rights hereunder.

Section 2.03 Deposits to Revenue Fund. The Issuer, or the Program Administrator acting on behalf of the Issuer, shall remit to the Trustee, immediately upon receipt, for deposit into the Revenue Fund, all Pledged Revenues received by or for the Issuer. Each such remittance shall be accompanied by written instructions from the Program Administrator identifying (i) the amount associated with each property and (ii) the corresponding Sub-Series Bond (the “**Assessment Identification Instructions**”). In the event the Issuer enters into an agreement with the Tax Collector to have all Pledged Revenues sent directly to the Trustee as received, the Trustee shall notify the Program Administrator each time it receives Pledged Revenues, and the Program Administrator shall immediately send to the Trustee the corresponding Assessment Identification Instructions. The Trustee shall pay the amounts indicated in the Assessment Identification Instructions to the Owners of the corresponding Sub-Series Bonds on each Bond Payment Date.

Section 2.04 Covenant to Commence Judicial Foreclosure Proceedings. The Issuer hereby covenants with and for the benefit of the Owners of the Series 2015 Bonds that it will order, and cause to be commenced, and thereafter diligently prosecute an action in the superior court to foreclose the lien of any Assessment or Assessment installment which has been billed, but has not been paid, pursuant to and as provided in sections 8830 and 8835, inclusive, of the Bond Act and the conditions specified in this Section 2.04. The costs of the prosecution by the Issuer or on behalf of the Issuer shall be borne by the Issuer.

Not later than November 1 each year, the Issuer will determine or cause to be determined whether any parcel subject to an Assessment is delinquent in the payment of any installment of the applicable Assessment (the “**Delinquency Determination**”) and the Issuer will notify or cause to be notified the Owner or Owners of the related Sub-Series Bonds. The Issuer will commence, or cause to be commenced, the foreclosure proceedings against such delinquent parcels, including collection actions preparatory to the filing of any complaint, but will file the complaint within 60 days from the date of the Delinquency Determination.

However, notwithstanding the foregoing, the Issuer may elect, in its sole discretion, to defer foreclosure proceedings on any parcel if the Issuer has received funds equal to the delinquent Assessment installment for that parcel from any other source, including but not limited to funds received pursuant to the applicable County’s Teeter Plan.

In the event that a foreclosure judgment is entered in favor of the Issuer in any foreclosure proceeding undertaken pursuant to this Section 2.04 and the applicable parcel fails to sell for the minimum price required by Streets and Highways Code Section 8832, the Issuer shall not petition the court to modify the judgment and authorize such parcel to be sold at a lesser minimum price or without a minimum price without the prior written consent of the Owners of the related Sub-Series Bond.

Amounts collected by the Issuer or any other person pursuant to this Section 2.04 shall be held in trust by such person for the benefit of the Owners of the related Sub-Series Bond until all such

amounts have been deposited into the Revenue Fund (excluding amounts identified as representing attorney's fees and costs incurred by the Issuer or such other person in prosecuting any action initiated pursuant to this Section 2.04).

Notwithstanding the foregoing, the Issuer shall assign the causes of action and the foreclosure proceedings to a trustee upon receipt of a written request for assignment from the Owners of the related Sub-Series Bond, identification of the trustee to which such assignment is to be made and the agreement by such Owners to assume all costs and expenses of such foreclosure proceedings and the release of the Issuer of its obligations pursuant to this Section 2.04 to prosecute such foreclosure proceedings.

Section 2.05 Employment of Services of a Program Administrator. So long as any Series 2015 Bonds remain Outstanding, the Issuer shall employ the services of a Program Administrator. At the request of the then-current Program Administrator or if the then-current Program Administrator is unable to perform its duties as Program Administrator under this Indenture or the Purchase Agreement, the Issuer shall employ another Person to perform the services of the Program Administrator under this Indenture and the Purchase Agreement. The Issuer may appoint multiple Persons to perform the duties of the Program Administrator under this Indenture and the Purchase Agreement, each such Person performing those duties as are specified in the appointment of the Issuer.

ARTICLE III

AUTHORIZATION AND ISSUANCE OF BONDS

Section 3.01 Authorization of Series 2015 Bonds.

There is hereby authorized, established and created three series of Bonds of the Issuer, to be known and designated as the "California Home Finance Authority, PACE Program Limited Obligation Improvement Bonds, Series 2015A," "California Home Finance Authority PACE Program Limited Obligation Improvement Bonds, Series 2015B" and "California Home Finance Authority PACE Program Limited Obligation Improvement Bonds, Series 2015C". No additional Bonds shall be authorized or issued under this Indenture. Each Drawdown Bond shall be issued for the purposes set forth herein by the Purchaser making an Advance thereunder of at least \$20,000 pursuant to the Purchase Agreement. Each Drawdown Bond may be issued on the same day or on separate days. The maximum principal amount of the Series 2015 Bonds is not limited; subject, however, to any limitations imposed by law and to the right of the Issuer, which is hereby reserved, to limit the aggregate principal amount of the Series 2015 Bonds that may be Outstanding hereunder.

Section 3.02 Conditions Precedent to Authentication and Delivery of Each Series of the Series 2015 Bonds. Prior to the initial authentication and delivery of each Drawdown Bond, the Trustee shall have received each of the following:

- (a) executed original counterparts of this Indenture and the Purchase Agreement;
- (b) certified copies of the Resolution of Intention, the Resolution Confirming Report and the Resolution of Issuance;
- (c) evidence of the payment of the initial purchase price of the Drawdown Bond as provided for in Sections 3.01 and 3.05(d) of this Indenture;
- (d) an opinion of Bond Counsel substantially to the effect that the Drawdown Bond constitutes the legal, valid and binding obligation of the Issuer; and

(e) an original investor letter executed by the initial purchaser(s) of the Drawdown Bond, in substantially the form set forth in Exhibit D hereto.

Section 3.03 Registered Bonds. The Series 2015 Bonds shall be in fully registered form and shall be payable in accordance with the provisions hereof and of the Series 2015 Bonds to the Owner thereof as shown on the records maintained by the Trustee.

Section 3.04 Loss, Theft, Destruction or Mutilation of Series 2015 Bonds. In the event a Series 2015 Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate and deliver a new Series 2015 Bond bearing a notation indicating the principal amount outstanding, in exchange for the mutilated Series 2015 Bond, or in substitution for a Series 2015 Bond so destroyed, lost or stolen. In every case of exchange or substitution, the applicant shall furnish to the Issuer and the Trustee (i) such security or indemnity as may be required by them to save them harmless from all risks, however remote, and (ii) evidence to their satisfaction of the mutilation, destruction, loss or theft of a Series 2015 Bond and of the ownership thereof. Upon the issuance of a Series 2015 Bond upon such exchange or substitution, the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees, of the Issuer and the Trustee. In case a Series 2015 Bond shall become mutilated or be destroyed, lost or stolen, the Trustee may, instead of authenticating a Series 2015 Bond in exchange or substitution therefor, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Series 2015 Bond) if the applicant for such payment shall furnish to the Issuer and the Trustee such security or indemnity as they may require to save them harmless and evidence satisfactory to them of the mutilation, destruction, loss or theft of the Series 2015 Bond and of the ownership thereof.

Section 3.05 Terms of Series 2015 Bonds - General.

(a) Registration; Denomination. The Series 2015 Bonds shall be issuable initially as three Drawdown Bonds registered in the name of the Purchaser, as follows:

(i) a Series 2015A Drawdown Bond, which shall be drawn in connection with Assessment Contracts having a 20-year Assessment term;

(ii) a Series 2015B Drawdown Bond, which shall be drawn in connection with Assessment Contracts having a 15-year Assessment term; and

(iii) a Series 2015C Drawdown Bond, which shall be drawn in connection with Assessment Contracts having a 10-year Assessment term;

however, the principal amount due on each Drawdown Bond shall be only such amount as has been drawn down by the Issuer on such Drawdown Bond.

(b) Numbering.

(i) The Series 2015A Drawdown Bond shall be numbered RA-1. Each Advance made under the Series 2015A Drawdown Bond will be considered a Series 2015A Sub-Series Bond and will be numbered consecutively from SUBRA-1 upward.

(ii) The Series 2015B Drawdown Bond shall be numbered RB-1. Each Advance made under the Series 2015B Drawdown Bond will be considered a Series 2015B Sub-Series Bond and will be numbered consecutively from SUBRB-1 upward.

(iii) The Series 2015C Drawdown Bond shall be numbered RC-1. Each Advance made under the Series 2015C Drawdown Bond will be considered a Series 2015C Sub-Series Bond and will be numbered consecutively from SUBRC-1 upward.

(c) Forms of Series 2015 Bonds. The Drawdown Bonds shall be substantially in the forms of Exhibits A-1, A-2 and A-3 hereto, with such amendments and changes as the officers executing the same shall deem appropriate. The Sub-Series Bonds shall be substantially in the forms of Exhibits B-1, B-2 and B-3 hereto, with such amendments and changes as the officers executing the same shall deem appropriate.

(d) Advances Under Each Drawdown Bond. The Purchaser shall fund the purchase price of each Drawdown Bond by making Advances thereunder. The initial Advance for the purchase of the Series 2015A Drawdown Bond shall be in the aggregate amount of \$_____ (but may consist of one or more Advances to evidence each property receiving funding) and will be made by the Purchaser [and received by the Escrow Agent] [to finance or refinance certain Qualifying Improvements under the related Assessment Contracts] on the Closing Date. The initial Advance for the purchase of the Series 2015B Drawdown Bond shall be in the aggregate amount of \$_____ (but may consist of one or more Advances to evidence each property receiving funding) and will be made by the Purchaser [and received by the Escrow Agent] [to finance or refinance certain Qualifying Improvements under the related Assessment Contracts] on the Closing Date. The initial Advance for the purchase of the Series 2015C Drawdown Bond shall be in the aggregate amount of \$_____ (but may consist of one or more Advances to evidence each property receiving funding) and will be made by the Purchaser [and received by the Escrow Agent] [to finance or refinance certain Qualifying Improvements under the related Assessment Contracts] on the Closing Date.

Provided that the conditions to Advances contained in the Purchase Agreement are either satisfied or waived by the Purchaser, the balance of the purchase price of each Drawdown Bond shall be Advanced to the Escrow Agent in subsequent installments by the Purchaser.

The Purchaser shall provide notice to the Program Administrator at least two (2) Business Days prior to the date when such funds will be Advanced, and the Program Administrator shall provide to the Trustee and the Escrow Agent a Funding Notice and Requisition (defined below), at least one (1) Business Day prior to the date when such funds will be Advanced. A Funding Notice and Requisition may be submitted with respect to multiple Advances, as specified therein. Each Funding Notice and Requisition shall be substantially in the form of Exhibit C hereto (the "**Funding Notice and Requisition**"), and shall contain (1) the date of the Advance, (2) the amount of the Advance, (3) the Identifying Number or Identifying Numbers of the Assessment Contract or Assessment Contracts associated with the Advance (the "**Identifying Number**"), (4) the interest rate applicable to the Advance and the corresponding Sub-Series Bond, (5) the amount of the associated total Assessment(s) and (6) the schedule of the annual Assessment or Assessments payments due under the associated Assessment Contract or Assessment Contracts (collectively, the "**Collateral Information**"). Upon receipt by the Escrow Agent of an Advance in accordance with the terms of this Section 3.05(d):

(i) the Escrow Agent shall notify the Trustee in writing (which may be by fax or email) that it has received the funds and that the Trustee may issue, authenticate and register a Sub-Series Bond corresponding to such Advance, in accordance with the information contained in the corresponding Funding Notice and Requisition;

(ii) the Trustee shall assign a SUBR -__ number to the Sub-Series Bond, issue, authenticate and register the Sub-Series Bond, and notify the Escrow Agent and the Program Administrator in writing (which may be by fax or email) that the Sub-Series Bond is being issued;

(iii) the Trustee shall note on the applicable Drawdown Bond that an additional principal amount of the Drawdown Bond, equal to the amount of the Advance (and the principal amount of the corresponding Sub-Series Bond), has been purchased; and

(iv) the Escrow Agent shall disburse the Advance to or upon the order of the Program Administrator (or, at the direction of the Program Administrator, to such contractors or subcontractors as specified in writing to the Escrow Agent by the Program Administrator).

(e) [Reserved].

(f) [Reserved].

(g) Record of Advances, Drawdowns and Prepayments. The Program Administrator shall provide to the Trustee the Collateral Information, as well as all information required under Sections 4.01 and 4.02 upon redemption of any Sub-Series Bond, and on the basis of such information the Trustee shall maintain, or cause to be maintained, complete and accurate records regarding:

(i) the Collateral Information and the SUBR -__ number of the related Sub-Series Bond, and the amount and the corresponding increase in the Outstanding principal amount of the Drawdown Bond that has been purchased; and

(ii) the redemption of all or any portion of each Sub-Series Bond, the date of such redemption and the corresponding decrease in the Outstanding principal amount of the Drawdown Bond that has been redeemed.

The Trustee shall provide copies of such records to the Issuer, the Purchaser and the Program Administrator upon their written request.

(h) Notations on Drawdown Bonds. The Trustee shall hold in its custody, and maintain for the sole benefit of the Purchaser, the Drawdown Bonds. Amounts Advanced by the Purchaser in accordance with the provisions of Section 3.05(d) shall be noted on Schedule A attached to the Drawdown Bond (the "**Schedule of Drawings**"). Upon transfer by the Purchaser of any Sub-Series Bond in accordance with Section 3.10, the Trustee shall note such transfer on Schedule B attached to the Drawdown Bond. Notwithstanding the foregoing, the Trustee may maintain such logs of Advances and transfers through its bond recordkeeping system rather than by making physical notations on the Drawdown Bonds.

(i) Limitation of Liability. Neither the Trustee nor the Issuer shall be responsible for the application by the Program Administrator or the Escrow Agent of monies disbursed to, or at the direction of, the Program Administrator, in accordance with Section 3.05(d).

(j) Dates and Maturity. Each Drawdown Bond shall be dated the Closing Date and shall mature on the maturity dates for each Sub-Series Bond for such Drawdown Bond. Each Sub-Series Bond shall be dated its date of issuance and shall mature on the maturity date established for such Sub-Series Bond as provided in Section 3.07 hereof, unless sooner redeemed. Each Sub-Series Bond shall bear interest from its date of issuance until paid in full, payable for the periods, in the amounts, and at the rates, as provided in Section 3.06 hereof. Interest on each Drawdown Bond shall accrue only on

such principal amount as has been actually drawn by the Issuer and Outstanding, as noted on the Schedule of Drawings maintained by the Trustee, but failure to so note shall not nullify the effectiveness of any Advances made.

(k) Payment. The principal of and interest on the Series 2015 Bonds shall be payable in lawful money of the United States of America by check or draft of the Trustee. Payments of principal and interest shall be mailed by first-class mail to the Owners of the Series 2015 Bonds at their addresses appearing on the records of the Trustee; provided, however, that the payment to any Owner of the Series 2015 Bonds shall, upon written request of such Owner, be transmitted by the Trustee by wire transfer to an account within the United States or other means requested in writing by the Owner.

Section 3.06 Interest on the Series 2015 Bonds.

(a) General. The Series 2015 Bonds shall bear interest on the outstanding principal amount, from time to time, at the interest rates determined and payable in the following manner.

(i) Each Advance and the corresponding Sub-Series Bond shall have its own interest rate and maturity date associated with it. On each date that an Advance is made hereunder, the interest rate on the amount Advanced (i.e., the interest rate on the Sub-Series Bond) shall be established by the Program Administrator and computed on the basis of a year of [365 or 366 days], as applicable, for the actual number of days elapsed. The Program Administrator shall provide to the Trustee and the Purchaser the interest rate and maturity date applicable to each Advance and corresponding Sub-Series Bond in the Funding Notice and Requisition. Absent manifest error, the determination of the interest rate by the Program Administrator shall be conclusive and binding upon the Owners, the Purchaser, the Issuer and the Trustee. The interest rate established for each Advance and corresponding Sub-Series Bond shall be fixed for the entire term that the Assessment Contract or Assessment Contracts associated with the Advance are in effect.

(ii) The amount of interest payable on each Interest Payment Date shall be the amount of interest accrued on the outstanding balance of the aggregate Advances made from the preceding Interest Payment Date to, but not including, the Interest Payment Date on which interest is being paid; provided that the amount of interest payable on the first Interest Payment Date for any Advance shall be the amount of interest accrued on the outstanding balance of such Advance from the Interest Accrual Date specified by the Program Administrator for such Advance in the applicable Funding Notice and Requisition to, but not including, such Interest Payment Date. The Program Administrator shall calculate the amount of interest due on each Interest Payment Date and shall provide written notice of such amount, together with a breakdown of the amount applicable to each Sub-Series Bond, to the Trustee at least five (5) Business Days prior to such Interest Payment Date.

(b) Usury. The Issuer intends to conform strictly to the usury laws applicable to this Indenture and the Series 2015 Bonds, and all agreements made in connection with the Indenture, the Series 2015 Bonds and the Bond Documents are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid to the Owners as interest or the amounts paid for the use of money Advanced or to be Advanced hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of this Indenture, the Series 2015 Bonds or the other Bond Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Owners shall ever

receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Owners, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Issuer. This paragraph shall control every other provision of the Series 2015 Bonds, this Indenture and all other Bond Documents.

In determining whether the amount of interest charged and paid might otherwise exceed the limit prescribed by law, the Issuer intends and agrees that (i) interest shall be computed upon the assumption that payments under this Indenture and other Bond Documents will be paid according to the agreed terms, and (ii) any sums of money that are taken into account in the calculation of interest, even though paid at one time, shall be spread over the actual term of the Series 2015 Bonds.

Section 3.07 Payment of Principal on the Series 2015 Bonds. Principal of the Series 2015 Bonds shall be payable on each Principal Payment Date, on each maturity date and upon redemption thereof. The amount of principal payable on each Principal Payment Date shall be (i) the amount of principal scheduled to be collected by the Issuer from all of the annual Assessment payments made from the preceding Principal Payment Date to, but not including, the Principal Payment Date on which principal is being paid and (ii) upon redemption of any of the Series 2015 Bonds, the principal amount being redeemed. The Program Administrator shall calculate the amount of principal due on each Principal Payment Date and shall provide written notice of such amount, together with a breakdown of the amount applicable to each Sub-Series Bond, to the Trustee at least five (5) Business Days prior to such Principal Payment Date.

Section 3.08 Security for Sub-Series Bonds.

(a) With respect to each Sub-Series Bond, the related Assessment Contract or Assessment Contracts, the related Assessment or Assessments, the Pledged Revenues, the funds in any segregated account of the Revenue Fund established pursuant to Section 6.05 hereof, and the proceeds of the foregoing, are hereinafter collectively referred to as the “**Matching Collateral**” for such Sub-Series Bond.

(b) **THE MATCHING COLLATERAL FOR ANY SUB-SERIES BOND WILL CONTINUE TO BE THE MATCHING COLLATERAL FOR SUCH SUB-SERIES BOND UPON ANY TRANSFER OR EXCHANGE OF SUCH SUB-SERIES BOND, AND SUCH SUB-SERIES BOND SHALL HAVE NO LIEN ON, AND NO RIGHT TO PAYMENT FROM, ANY OTHER COLLATERAL HELD HEREUNDER. NO PORTION OF THE MATCHING COLLATERAL FOR ANY SUB-SERIES BOND MAY BE TRANSFERRED TO ANY OTHER SUB-SERIES BOND.**

(c) Notwithstanding this Section 3.08 or anything to the contrary in the Indenture, any Sub-Series Bond may be exchanged for one or more new Sub-Series Bonds, each such new Sub-Series Bond to be secured by specified Matching Collateral separate from any other new Sub-Series Bond at the request and direction of 100% of the Owners of such Sub-Series Bond to be so exchanged. The cost for any services rendered or any expenses incurred by the Trustee or the Issuer (including attorney’s fees) in connection with any such exchange of a Sub-Series Bond will be paid by the Owner(s) requesting such exchange.

Section 3.09 Execution and Authentication of Series 2015 Bonds.

(a) The Drawdown Bonds and the Sub-Series Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of an Authorized Representative of the Issuer and attested by the manual or facsimile signature of an Authorized Representative of the Issuer.

(b) In case any officer of the Issuer whose signature or facsimile signature shall appear on any Drawdown Bonds or Sub-Series Bond shall cease to be such officer before such Drawdown Bond or Sub-Series Bond so signed and sealed shall have been actually delivered, such Drawdown Bond or Sub-Series Bond may, nevertheless, be delivered as herein provided, and may be issued as if the persons who signed or sealed such Drawdown Bond or Sub-Series Bond had not ceased to hold such offices or be so employed. Any Drawdown Bond or Sub-Series Bond issued in exchange for, or in substitution of, any Drawdown Bond or Sub-Series Bond pursuant to Section 3.04 hereof may be signed and sealed on behalf of the Issuer by such persons as, at the actual time of the execution of such substitute Drawdown Bond or Sub-Series Bond, shall be duly authorized or hold the proper office in or employment by the Issuer, although at the date of such Drawdown Bond or Sub-Series Bond such persons may not have been so authorized nor have held such office or employment. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the execution and delivery of this Indenture, notwithstanding that either or both shall have ceased to hold such office at the time any Drawdown Bond or Sub-Series Bond shall be actually issued, authenticated and delivered.

(c) No Series 2015 Bond that is issued as a certificated instrument shall be valid or obligatory for any purpose or shall be entitled to any right or benefit under this Indenture unless there shall be endorsed on such Series 2015 Bond a certificate of authentication in the form set forth in such Series 2015 Bond duly executed by the Trustee, by the manual signature of an authorized signatory thereof, and such certificate of the Trustee upon any Series 2015 Bond executed on behalf of the Issuer shall be conclusive evidence that the Series 2015 Bond so authenticated has been duly issued under this Indenture and that the Owner thereof is entitled to the benefits of this Indenture.

Section 3.10 Negotiability, Transfer and Registry of Series 2015 Bonds.

(a) All the Series 2015 Bonds issued under this Indenture shall be negotiable, subject to the provisions for registration and transfer and transfer restrictions contained in this Indenture and in the Series 2015 Bonds. So long as this Indenture remains in force, the Trustee, as registrar, shall maintain and keep books for the recordation of the taxpayer identification number of each of the Owners of the Series 2015 Bonds and the registration, transfer and exchange of Series 2015 Bonds. Each Series 2015 Bond shall be transferable only upon the books of registration. The Trustee is hereby appointed registrar, to act as agent of the Issuer for the registration and transfer of Series 2015 Bonds and the maintenance of the books of registration. The Issuer may appoint a successor registrar upon notice by mail to the Trustee and the Owners of the Series 2015 Bonds.

(b) Since no portion of the Matching Collateral for any Sub-Series Bond may be transferred to any other Sub-Series Bond, a Sub-Series Bond may only be transferred in whole and not in part, and the Matching Collateral for such Sub-Series Bond will continue to secure only such Sub-Series Bond.

(c) The Owner shall bear all costs in connection with any transfer or exchange of Series 2015 Bonds, including the reasonable fees and expenses of the Issuer, Bond Counsel and the Trustee and of any required indemnity for the Issuer and the Trustee.

(d) Series 2015 Bonds shall be transferred upon presentation and surrender thereof at the Principal Office of the Trustee by the Owner thereof or his attorney duly authorized in writing with due endorsement for transfer or accompanied by a written instrument of transfer in form satisfactory to the Trustee. All Series 2015 Bonds surrendered in any exchanges or transfers shall forthwith be canceled. For every such exchange or transfer of Series 2015 Bonds, there shall be made a charge sufficient to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the Owner requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The Trustee shall not be obligated to (i) authenticate, exchange or transfer any Series 2015 Bond during a period beginning at the opening of business on any Record Date and ending at the close of business on the next succeeding Interest Payment Date, (ii) authenticate, exchange or transfer any Series 2015 Bond during a period beginning at the opening of business 15 days next preceding any selection of Series 2015 Bonds to be redeemed and ending at the close of business on the date of the first giving of notice of such redemption, or (iii) transfer or exchange any Series 2015 Bonds called or being called for redemption in whole or in part.

(e) A Sub-Series Bond may be transferred in whole by any Owner, or pledged in whole by any Owner as collateral for a loan, only as follows:

(i) to any subsidiary of the Owner, any Affiliate of the Owner, any entity arising out of any merger or consolidation of the Owner, or a trustee in bankruptcy of the Owner;

(ii) to any "accredited investor" (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) or any "qualified institutional buyer" (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended);

(iii) to any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any "accredited investor" or "qualified institutional buyer," each as defined in clause (ii) above, or on its own behalf); or

(iv) to any trust or custodial arrangement each of the beneficial owners of which, or owners of certificates issued thereby, is required to be an "accredited investor" or "qualified institutional buyer" (as defined in clause (ii) above).

Any transfer (but not a pledge as collateral for a loan) of a Sub-Series Bond described in clauses (ii), (iii) or (iv) of this Section 3.10(e) shall be conditioned upon delivery by the proposed transferee to the Trustee of an investor letter in substantially the form set forth in Exhibit E hereto; provided that once a particular entity has delivered such an investor letter in connection with a purchase of Series 2015 Bonds, it shall not be required to deliver another investor letter in connection with a subsequent purchase of Series 2015 Bonds.

(f) No Sub-Series Bond may be transferred unless:

(i) the Outstanding principal amount of such Sub-Series Bond equals or exceeds the Minimum Transfer Amount; or

(ii) such Sub-Series Bond is being transferred to a single investor meeting the requirements of paragraph (e) simultaneously with the transfer to such investor of other Sub-Series Bonds, and the aggregate Outstanding principal amount of all of such Sub-Series Bonds being transferred equals or exceeds the Minimum Transfer Amount; or

(iii) the transferee already owns Sub-Series Bonds the aggregate Outstanding principal amount of which equals or exceeds the Minimum Transfer Amount prior to such transfer.

The provisions of this paragraph (f) shall not apply to a pledge of a Sub-Series Bond in whole by any Owner as collateral for a loan. Each Sub-Series Bond may be pledged in whole by any Owner as collateral for a loan regardless of the Outstanding principal amount of such Sub-Series Bond.

Section 3.11 Ownership of Series 2015 Bonds. The Issuer, the Trustee and any other Person may treat the registered owner of any Series 2015 Bond as the absolute owner thereof, whether such Series 2015 Bonds shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or redemption price of and interest on such Series 2015 Bonds and for all other purposes whatsoever, and payment of the principal or redemption price, if any, of and interest on any such Series 2015 Bonds shall be made only to, or upon the order of, such registered owner. All such payments to such registered owner shall be valid and effectual to satisfy and discharge the liability of the Issuer upon such Series 2015 Bonds to the extent of the sum or sums so paid, and neither the Issuer nor any Trustee shall be affected by any notice to the contrary.

Section 3.12 Payments on Bonds Due on Non-Business Days. In any case where any Bond Payment Date shall be a day other than a Business Day, then payment of the Series 2015 Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the Bond Payment Date, and no interest shall accrue for the period after such date.

Section 3.13 Series 2015 Bonds to Be Certificated.

The Series 2015 Bonds shall be issued as physically certificated instruments, and shall not be held in a book-entry only system unless approved in advance in writing by the Issuer in its sole discretion.

Section 3.14 Refunding of Series 2015 Bonds. Any Sub-Series Bond may be refunded by the Issuer pursuant to Chapter 29 or Divisions 11 or 11.5 of the California Streets and Highways Code upon the conditions as set forth in appropriate proceedings therefor. This Section will not apply to or in any manner limit advancement of the maturity of any Sub-Series Bond as provided in Parts 8, 9, 11, or 11.1 of the Bond Act, nor will this Section apply to or in any manner limit the redemption and payment of any Sub-Series Bond pursuant to subsequent proceedings providing for the payment of amounts to eliminate previously imposed fixed lien assessments, including the Assessment or Assessments securing such Sub-Series Bond. In the event that any Sub-Series Bond is refunded by the Issuer pursuant to this Section 3.14 or for any other reason, nothing contained herein shall limit or eliminate the requirement that such Sub-Series Bond be redeemed at par plus accrued interest as set forth in Section 4.02. Upon the refunding of any Sub-Series Bond as provided herein, the Trustee shall transfer the Matching Collateral for such Sub-Series Bond to the trustee for the bonds that refunded such Sub-Series Bond.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01 Mandatory Redemption.

(a) Each Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in part on each Principal Payment Date, after and to the extent that the Trustee receives the annual Assessment payment for a related Assessment, at a redemption price equal to the principal amount paid on the related Assessment in accordance with the payment schedule for the related Assessment, together with accrued interest to the date of redemption. Prior to any such redemption, in accordance with the provisions of Section 2.03 hereof, the Program Administrator will have provided to the Trustee the applicable information described in the preceding sentence. The Trustee shall thereupon note on its books the portion of the Sub-Series Bond that has been redeemed.

(b) Each Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in whole or in part on any Interest Payment Date, after and to the extent that the Trustee receives a prepayment of a related Assessment, at a redemption price equal to the principal amount paid on the Assessment being prepaid, together with accrued interest to the date of redemption and a redemption premium equal to a percentage of the principal amount of the Sub-Series Bond to be redeemed, such percentage to be equal to the prepayment premium percentage specified in the related Assessment Contract or Assessment Contracts. Prior to any such redemption, the Program Administrator shall provide to the Trustee the applicable Collateral Information related to such prepayment. The Trustee shall thereupon (i) note on its books the portion of the Sub-Series Bond that has been redeemed or that the Sub-Series Bond has been redeemed in full and (ii) if the redemption is in full, cancel such Sub-Series Bond.

Section 4.02 Optional Redemption. Each Sub-Series Bond shall be subject to optional redemption, at the written direction to the Trustee from the Purchaser, from any source of funds, in whole but not in part, at any time without premium, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption. Prior to any such redemption, the Purchaser shall provide to the Trustee immediately available funds sufficient to pay the redemption price, and the Program Administrator shall provide to the Trustee the Collateral Information related to such Sub-Series Bond to be redeemed. The Trustee shall thereupon (i) note on its books that the Sub-Series Bond has been redeemed in full, and (ii) cancel such Sub-Series Bond.

Section 4.03 Notice of Redemption.

(a) Notice of redemption of any Sub-Series Bond shall be given by the Trustee to the registered Owner of such Sub-Series Bond by facsimile transmission or other similar electronic means of communication, promptly confirmed in writing, not less than two (2) Business Days prior to the date fixed for redemption. Such notice shall state that the redemption of the Sub-Series Bonds is conditioned upon receipt by the Trustee on or prior to the redemption date of immediately available funds sufficient to pay the redemption price thereof, and that if such condition is not satisfied, the redemption shall not take place and the Owner of such Sub-Series Bond shall continue to be the Owner thereof. Receipt of such notice of redemption shall not be a condition precedent to such redemption, and failure to so notify such registered Owner shall not affect the validity of the proceedings for the redemption of such Sub-Series Bond.

(b) Notice of redemption having been given as provided in subsection (a) of this Section 4.03 and all conditions precedent, if any, specified in such notice having been satisfied, such Sub-Series Bond or portion thereof so to be redeemed shall become due and payable on the date fixed for redemption at the redemption price specified therein plus any accrued interest to the redemption date. On the redemption date specified in such notice, such Sub-Series Bond or portion thereof shall be paid at the redemption price, plus any accrued interest to the redemption date. On and after the

redemption date of any Sub-Series Bond being redeemed in whole (unless funds for the payment of the redemption price and accrued interest shall not have been provided to the Trustee), (i) such Sub-Series Bond shall cease to bear interest and (ii) such Sub-Series Bond shall no longer be considered as Outstanding under this Indenture.

Section 4.04 Partial Redemption of Sub-Series Bond.

In case part but not all of a Sub-Series Bond shall be subject to redemption, the Trustee shall note in its books and records the amount of such Sub-Series Bond so redeemed.

ARTICLE V

**ESTABLISHMENT OF CERTAIN FUNDS AND ACCOUNTS,
APPLICATION THEREOF AND SECURITY THEREFOR**

Section 5.01 Revenue Fund.

(a) Establishment of Revenue Fund. A Revenue Fund is hereby created and established as a special trust fund. The Revenue Fund shall be held by the Trustee in trust for application only in accordance with the provisions of this Indenture. The Revenue Fund is hereby designated by the Issuer as the redemption fund for the Series 2015 Bonds under the Bond Act.

(b) Deposits to Revenue Fund. All amounts received from the Issuer, the Program Administrator or the Tax Collector pursuant to Section 2.03 hereof, including payments in respect of the Matching Collateral for interest and principal and mandatory and optional redemptions of each Sub-Series Bond, shall be deposited into the Revenue Fund. On each Bond Payment Date, the Trustee shall pay to the Owners of the Sub-Series Bonds interest and principal due thereon.

(c) Disbursements from Revenue Fund.

(i) The Trustee shall disburse amounts held in the Revenue Fund as provided in Section 2.03 hereof.

(ii) If a Sub-Series Bond is redeemed in whole or in part upon prepayment of the associated Assessment pursuant to Section 4.01(b) hereof, the Trustee shall release the amount held in the Revenue Fund associated with such prepayment, and such amount shall be applied to redeem such Sub-Series Bond.

(d) Interest Earnings. Interest earnings on amounts held in the Revenue Fund shall be held therein. Upon payment in full of all of the Series 2015 Bonds and termination of this Indenture, any remaining amounts held in the Revenue Fund shall be remitted to [_____].

Section 5.02 Reserve Fund.

(a) Establishment of Reserve Fund. A Reserve Fund is hereby created and established as a special trust fund. The Reserve Fund shall be held in trust for application only in accordance with the provisions of this Indenture.

(b) Deposits to Reserve Fund. All amounts received by the Trustee from the Escrow Agent pursuant to a Funding Notice and Requisition for deposit in the Reserve Fund, shall be deposited in the Reserve Fund.

(c) Disbursements from Reserve Fund. All amounts held in the Reserve Fund shall be used and withdrawn by the Trustee solely to pay the interest on and principal of Series 2015 Bonds when due in the event insufficient moneys are available in the Revenue Fund for such purpose.

(d) Interest Earnings. Interest earnings on amounts held in the Reserve Fund shall be held therein. Upon payment in full of all of the Series 2015 Bonds and termination of this Indenture, any remaining amounts held in the Revenue Fund shall be remitted to [_____].

Section 5.03 [Reserved].

Section 5.04 [Reserved].

Section 5.05 [Reserved].

Section 5.06 [Reserved].

Section 5.07 Moneys Held in Trust; Investment of Moneys.

All moneys from time to time received by the Trustee and held in the Funds and Accounts created hereby shall be held in trust as security for the benefit of the Owner of the particular Sub-Series Bond to which such Fund or Account relates. All such moneys shall be invested as provided in this Indenture.

Any such investments shall be held by or under the control of the Trustee. A sufficient amount of such investments shall be liquidated whenever the cash balance in any Fund or Account is insufficient to pay any amounts as they become due. Any moneys held as a part of the Funds and Accounts shall be invested or reinvested, to the extent permitted by law, in Investment Securities at the request of and as directed in writing by an Authorized Representative of the Issuer, or by the Program Administrator acting on behalf of the Issuer.

Section 5.08 Investment Earnings. Earnings on investments held in any Fund or Account hereunder shall be retained therein and applied in the manner prescribed herein for such Fund or Account.

Section 5.09 Records. The Trustee shall keep and maintain adequate records pertaining to the Funds and Accounts established hereunder, including all deposits to and disbursements from said Funds and Accounts. The Trustee shall retain in its possession all certifications and other documents presented to it, all such records and all records of principal and interest paid on the Series 2015 Bonds, subject to the inspection of the Issuer, the Program Administrator and the Owners of the Series 2015 Bonds and their representatives at all reasonable times and upon reasonable prior notice.

Section 5.10 Reports From the Trustee. The Trustee shall, annually within sixty (60) days after each Bond Payment Date, file with the Program Administrator and the Issuer a statement setting forth in respect to the preceding year:

(a) the amount withdrawn or transferred by it and the amount deposited within or on account of each Fund and Account held by it under the provisions of this Indenture, including the amount of investment income on each Fund and Account;

(b) the amount on deposit with it at the end of such period to the credit of each Fund and Account;

(c) a brief description of all obligations held by it as an investment of moneys in each such Fund and Account;

(d) a record of the purchase or redemption of Series 2015 Bonds and a description of the Sub-Series Bonds so purchased or redeemed; and

(e) any other information which the Program Administrator or the Issuer may reasonably request and to which the Trustee has access in the ordinary course of its operations.

Upon the written request of any Owner of a Sub-Series Bond then Outstanding, the Trustee, at the cost of such Owner, shall provide to such Owner the information from such statement that relates to the particular Sub-Series Bonds owned by such Owner. All records and files pertaining to the Transferred Property shall be open at all reasonable times to the inspection of the Issuer, the Purchaser, the Program Administrator and their agents and representatives upon reasonable prior notice.

ARTICLE VI

DEFAULT PROVISIONS; REMEDIES

Section 6.01 Events of Default Applicable to Each Sub-Series Bond. An Event of Default under this Section 6.01 shall be applicable only to the particular Sub-Series Bond to which the event of default applies. Except as provided in Section 6.02, the Sub-Series Bonds are not cross-defaulted with one another. With respect to each Sub-Series Bond, each of the following events is hereby declared an "Event of Default" under this Indenture:

(a) The failure to pay any installment of principal or the redemption price of a Sub-Series Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise; or

(b) The failure to pay any installment of interest on a Sub-Series Bond when and as the same shall become due and payable.

Section 6.02 Events of Default Applicable to all Series 2015 Bonds. It shall also be an Event of default hereunder applicable to all Sub-Series Bonds and the Drawdown Bonds if the Issuer fails to perform or observe any other covenant, agreement or condition on its part contained in this Indenture, in any other agreement entered into by the Issuer in connection with the issuance of the Series 2015 Bonds, or in the Series 2015 Bonds, and such failure shall continue for a period of sixty (60) days after written notice thereof to the Issuer by the Trustee or by the Owners of not less than twenty-five percent (25%) in principal amount of the Series 2015 Bonds Outstanding.

Section 6.03 Remedies Applicable to Each Sub-Series Bond.

(a) With respect to any Event of Default under Section 6.01, the Trustee shall take only such actions in respect of an Event of Default as it shall be directed in writing to take by the Owner of the Sub-Series Bond to which such Event of Default relates. Such actions may include the following:

(i) Implementation of actions for the recovery of the amounts due on such Sub-Series Bond pursuant to the Bond Documents, including enforcement of Matching Collateral; or

(ii) Implementation of such other rights and remedies as may be available under the Bond Documents or applicable law.

(b) Notwithstanding anything in this Indenture, the principal of Sub-Series Bonds will not be subject to acceleration hereunder. Nothing in this Section 6.03(b) will in any way prohibit the redemption of Sub-Series Bonds, the refunding of Sub-Series Bonds, or the defeasance of Sub-Series Bonds and discharge of this Indenture as authorized or permitted pursuant to this Indenture or affect in any way the powers or remedies conferred upon the Owners elsewhere in the Indenture or by Chapter 29 or the Bond Act.

Section 6.04 Remedies Applicable to all Series 2015 Bonds.

(a) With respect to any Event of Default under Section 6.02, , the Trustee shall take only such actions in respect of an Event of Default as it shall be directed in writing to take by the Owners of not less than fifty-one percent (51%) in principal amount of the Series 2015 Bonds Outstanding. Such actions may include implementation of any rights and remedies as may be available under the Bond Documents or applicable law.

(b) At any time before the completion of the enforcement of any remedy under this Section 6.04, the Trustee, if so directed by the Owners of not less than fifty-one percent (51%) in principal amount of the Series 2015 Bonds Outstanding, shall annul the declaration of an Event of Default and its consequences. In such event, the Issuer, the Trustee and all of the Owners shall be restored to the same position as before the occurrence of the Event of Default. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

(c) Notwithstanding anything in this Indenture, the principal of the Series 2015 Bonds will not be subject to acceleration hereunder. Nothing in this Section 6.04(c) will in any way prohibit the redemption of Series 2015 Bonds, the refunding of Series 2015 Bonds, or the defeasance of Series 2015 Bonds and discharge of this Indenture as authorized or permitted pursuant to this Indenture or affect in any way the powers or remedies conferred upon the Owners elsewhere in the Indenture or by Chapter 29 or the Bond Act.

Section 6.05 Application of Revenues and Other Moneys After Default Applicable to a Sub-Series Bond.

If an Event of Default under Section 6.01 shall occur and shall not have been remedied, the Trustee shall establish a segregated account in the Revenue Fund for the Sub-Series Bond to which such Event of Default relates, and shall transfer thereto, as promptly as practicable after receipt thereof, all Pledged Revenues and other payments or receipts pledged under this Indenture solely to the Sub-Series Bond to which such Event of Default relates and all proceeds realized as a result of remedial action under the Bond Documents and Matching Collateral.

During the continuation of an Event of Default, the Trustee shall apply such moneys, securities, revenues, payments and receipts and the income therefrom as follows and in the following order:

(a) To the payment of Trustee Expenses;

(b) At the direction of the Owner of the Sub-Series Bond, to the payment of the amounts required to reimburse the Owner of the Sub-Series Bond for any reasonable legal or other out-of-pocket costs incurred by it in connection with such remedial action and the reasonable fees and expenses of the Issuer in carrying out this Indenture or other Bond Documents;

(c) To the payment of the interest and principal installments or redemption price then due and payable on the Sub-Series Bond, as follows:

First: To the payment to the Owner of all installments of interest then due and payable on such Sub-Series Bond in the order of the maturity of such installments; and

Second: To the payment to the Owner of the unpaid principal installments or redemption price of such Sub-Series Bond which shall have become due and payable, whether at maturity or by call for redemption, in the order of their due dates.

Notwithstanding anything contained herein to the contrary, the Owner may by written notice to the Trustee direct the application of funds other than in the manner set forth above (except that the priority of payment of Trustee's fees and expenses shall not be altered), including, without limitation, the application of funds between the principal of or interest on such Sub-Series Bond. Any such determination by the Owner shall be deemed conclusive, and the Issuer and the Trustee shall have no liability for the tax consequences of said determination.

Section 6.06 Remedies Not Exclusive. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or the Owners of the Series 2015 Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Indenture or existing at law or in equity or by statute (including the Bond Act) on or after the date of adoption of this Indenture.

Section 6.07 Remedies Vested in Trustee and Owner of Particular Sub-Series Bond. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Series 2015 Bonds may be enforced by the Trustee and by the Owner of the Sub-Series Bond in default without the possession of any of the Series 2015 Bonds or the production thereof in any trial or other proceedings relating thereto. Subject to the rights of the Owner of any Sub-Series Bond to direct proceedings hereunder with respect to such Sub-Series Bond, any such suit or proceeding instituted by the Trustee shall be brought in its name under the authority herein granted without the necessity of joining as plaintiffs or defendants any Owner of a Sub-Series Bond.

Section 6.08 Individual Bond Owners Action Restricted.

No Owner of any Sub-Series Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust under this Indenture or for any remedy under this Indenture.

Nothing contained in this Indenture shall affect or impair, or be construed to affect or impair, the right of the Owner of any Sub-Series Bond (i) to receive payment of the principal of or interest on such Sub-Series Bond on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Owner of any Sub-Series Bond may institute or prosecute any such suit or enter judgment therein, if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein, under applicable law, would result in the surrender, impairment, waiver or loss of the lien of this Indenture on the moneys, funds and properties pledged under this Indenture for the benefit of the Owner of the Sub-Series Bond appertaining thereto.

Section 6.09 Termination of Proceedings. In case any proceeding taken by the Owner of a Sub-Series Bond or by the Trustee at the direction of such Owner on account of any Event of Default under Section 6.01 shall have been discontinued or abandoned for any reason or shall have been determined adversely to such Owner, the Issuer, the Trustee, and such Owner shall be restored to their

former positions and rights under this Indenture, and all rights, remedies and powers of the such parties shall continue as if no such proceeding had been taken.

Section 6.10 Waiver and Non-Waiver of Event of Default.

No delay or omission of the Trustee or the Owners of the Series 2015 Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article VI to any party may be exercised from time to time and as often as may be deemed expedient.

In case of any waiver by the Trustee, acting upon the direction of (i) an Owner of a Sub-Series Bond, of an Event of Default under Section 6.01 of this Indenture or (ii) the Owners of not less than fifty-one percent (51%) in principal amount of the Series 2015 Bonds Outstanding with respect to an Event of Default under Section 6.02 of this Indenture, the Issuer, the Trustee and the Owner of a Sub-Series Bond or the Owners of the Series 2015 Bonds, as the case may be, shall be restored to their former positions and rights under this Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

ARTICLE VII

CONCERNING THE TRUSTEE AND THE PROGRAM ADMINISTRATOR

Section 7.01 Trustee; Appointment and Acceptance of Duties.

(a) The Issuer hereby appoints Zions First National Bank as trustee hereunder. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing this Indenture.

(b) Unless otherwise provided, the corporate trust offices of the Trustee are designated as the respective offices or agencies of the Trustee for the authentication and delivery of Series 2015 Bonds.

Section 7.02 Responsibilities of Trustee.

(a) The recitals of fact herein and in the Series 2015 Bonds contained (other than the certificate of authentication) shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of any Series 2015 Bonds issued hereunder or as to the security afforded by this Indenture, and the Trustee shall incur no liability in respect thereof. The Trustee shall be under no responsibility or duty with respect to the application of any moneys properly paid to it except as provided herein or as otherwise expressly agreed by the Trustee. Except for a declaration of acceleration under Section 6.02 hereof or the payment of principal and interest on the Series 2015 Bonds, the Trustee shall be under no obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any suit in respect of this Indenture or to advance any of its own moneys, unless indemnified to its reasonable satisfaction. Subject to the provisions of subsection (b) of this Section 7.02, the Trustee shall not be liable in connection with the performance of its duties under this Indenture except for its own negligence or willful misconduct.

(b) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are

specifically set forth in this Indenture. In case an Event of Default has occurred (and has not been cured within any applicable grace period) and subject to the rights of an Owner of a Sub-Series Bond with respect to control of remedies following an Event of Default hereunder, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Any provisions of this Indenture relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section 7.02.

(c) The Trustee shall cooperate fully with (i) an Owner of a Sub-Series Bond with respect to an Event of Default under Section 6.01 of this Indenture or (ii) the Owners of not less than fifty-one percent (51%) in principal amount of the Series 2015 Bonds Outstanding with respect to an Event of Default under Section 6.02 of this Indenture, in the enforcement and protection of the rights of the Owner or Owners, as the case may be, to the fullest extent possible under this Indenture, the Bond Documents and applicable law. Toward this end, the Trustee shall take such action as so directed, including, with respect to a Sub-Series Bond, suit for specific performance of the Bond Documents or for damages for nonperformance thereof and assignment of the applicable Assessment Contract to the Owner of a Sub-Series Bond in default for purposes of enforcing the rights of such Owner.

(d) The Trustee shall not take any discretionary action under the Bond Documents without the written approval of the affected Owner or requisite percentage of Owners, as the case may be, and shall take such discretionary action permitted or required under the Bond Documents, as may be directed in writing by the affected Owner or requisite percentage of Owners, as the case may be.

(e) The Trustee shall notify the affected Owner or Owners of any notification received by the Trustee under or pursuant to the Bond Documents promptly after receipt of said notice.

(f) If any Event of Default occurs and is continuing hereunder and if the Trustee has received written notice thereof or is deemed to have notice pursuant to this Indenture, the Trustee shall give to all affected Owners and the Issuer written notice of such default or Event of Default within thirty (30) days after receipt of such information. For the purpose of this Section 7.02 only, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default under Section 6.01 or 6.02 hereof.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under Section 6.02 hereof, unless the Trustee shall have received written notice of such Event of Default by the Issuer or by the Owners of not less than 25% in aggregate principal amount of the Series 2015 Bonds then Outstanding.

Section 7.03 Evidence on Which Trustee May Act.

(a) The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Indenture, shall examine such instrument to determine whether it conforms to the requirements of this Indenture and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel selected by it in respect of any action taken or suffered by the Trustee under this Indenture. Specifically, and without limiting the foregoing, the Trustee may rely upon directions, instructions and information given or provided to it by the Program Administrator, the Escrow Agent or the Purchaser, or persons or entities acting on their behalf, as set forth in this Indenture or the Purchase Agreement, without further review thereof (other than examining such instrument to determine whether it conforms

to the requirements of this Indenture), and shall not be liable or responsible for the accuracy of the contents contained in such directions, instructions and information or for taking any actions on the basis thereof.

(b) Except as otherwise expressly provided in this Indenture, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision of this Indenture by the Issuer, the Purchaser, the Escrow Agent or the Program Administrator to the Trustee shall be sufficiently executed if executed in the name of the Issuer, the Purchaser, the Escrow Agent or the Program Administrator by an Authorized Representative of the Issuer, the Purchaser, the Escrow Agent or the Program Administrator, as applicable.

Section 7.04 Compensation; No Trustee Liens. Pursuant to the provisions of the Purchase Agreement, the Program Administrator has agreed to pay to the Trustee, as provided therein, the Trustee Fees and Trustee Expenses from time to time as set forth therein as compensation for all services rendered under this Indenture and the Purchase Agreement, provided that the Trustee shall not have a lien therefor on any moneys or Investment Securities at any time held or received by it under this Indenture, except as provided in Section 6.05 hereof. The Issuer hereby approves the provision for payment of the Trustee Fees and Trustee Expenses as set forth in the preceding sentence and the Purchase Agreement.

Section 7.05 Certain Permitted Acts. The Trustee may become the Owner of any Series 2015 Bond with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of the Series 2015 Bonds or to effect or aid in any reorganization growing out of the enforcement of the Series 2015 Bonds or this Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Series 2015 Bonds then Outstanding.

Section 7.06 Resignation of Trustee. The Trustee may resign at any time and be discharged of the duties and obligations created by this Indenture by giving not less than sixty (60) days' written notice to the Issuer and the Owners of the Series 2015 Bonds, provided that no resignation shall become effective until the acceptance of appointment by a successor Trustee as provided in Section 7.09 of this Indenture. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 60 days after the giving of such notice of resignation, the retiring Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Section 7.07 Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by either the Issuer or by the Owners of not less than fifty-one percent (51%) in principal amount of the Series 2015 Bonds Outstanding and filed with the Trustee; provided that no removal shall become effective until the acceptance of appointment by a successor Trustee as provided in Section 7.09 of this Indenture

Section 7.08 Appointment of Successor Trustee; Temporary Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee, subject to the prior written consent by the Owners of not less than fifty-one percent (51%) in principal amount of the Series 2015 Bonds Outstanding (which consent shall not be unreasonably withheld or delayed).

Section 7.09 Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor, and also to the Issuer, the Program Administrator, the Purchaser, the Escrow Agent and to any Owner which shall request the same, an instrument accepting such appointment and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named; but the Trustee ceasing to act nevertheless, shall execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as reasonably may be required for more fully and certainly vesting and confirming in such successor all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in or pursuant to this Indenture. Should any deed, conveyance or instrument in

writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged and delivered by the Issuer.

Section 7.10 Merger or Consolidation of Trustee. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it may be party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, and shall be authorized by law to perform all the duties imposed upon it by this Indenture, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

Section 7.11 Program Administrator and Escrow Agent. The Program Administrator and Escrow Agent shall each signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing the Purchase Agreement. If any Program Administrator appointed under the Program Administration Agreement is removed by the Issuer at any time, the Issuer shall give written notice to the Trustee. At any time when a Program Administrator has not been appointed or when a Program Administrator has been removed without appointment by the Issuer of a successor Program Administrator, all references in this Indenture and in the other Bond Documents to the Program Administrator shall be deemed to refer to the Purchaser.

ARTICLE VIII

AMENDMENTS AND SUPPLEMENTAL INDENTURES; AMENDMENTS OF BOND DOCUMENTS

Section 8.01 Supplemental Indentures Not Requiring Consent of Owners of Series 2015 Bonds. The Issuer and the Trustee may, without the consent of, or notice to, the Owners of any Series 2015 Bonds (but only with the consent of any one person or entity that owns at least fifty-one percent (51%) in aggregate principal amount of the Outstanding Series 2015 Bonds), enter into one or more Supplemental Indentures for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Indenture;
- (b) to grant to or confer any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Owners of the Series 2015 Bonds or the Trustee, or to make any change which, in the judgment of the Trustee, is not to the prejudice of the Owners of the Series 2015 Bonds;
- (c) to subject to the pledge and lien of this Indenture additional revenues, properties and collateral;
- (d) to evidence the appointment of a separate Trustee or co-Trustee or the succession of a new Trustee; or

(e) to modify, amend or supplement this Indenture in any other respect which is not materially adverse to the Owners of the Series 2015 Bonds to be Outstanding after the effective date of the change and which does not involve a change described in Section 8.02 hereof.

Section 8.02 Supplemental Indentures Requiring Consent of Owners of Series 2015 Bonds.

(a) Exclusive of Supplemental Indentures covered by Section 8.01 of this Indenture and subject to the terms and provisions contained in this Section 8.02, and not otherwise, neither the Issuer nor the Trustee shall enter into any amendment, change or modification of this Indenture without the prior written consent of the Owners of not less than two-thirds in aggregate principal amount of the Series 2015 Bonds then Outstanding; provided, however, that nothing in this Section 8.02 contained shall permit, or be construed as permitting, without the consent of the Owners of all of the Series 2015 Bonds, (i) an extension of the maturity date of the principal of or the interest on any Series 2015 Bond, (ii) a reduction in the principal amount of any Series 2015 Bond or the rate of interest thereon, (iii) change in a privilege or priority of any Series 2015 Bond or Bonds over any other Series 2015 Bond or Bonds, (iv) a reduction in the percentages of the Owners of the Outstanding Bonds required for consent to such Supplemental Indenture, (v) the creation of any lien other than a lien ratably securing all of the Series 2015 Bonds at any time Outstanding or (vi) any reduction of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee. Notwithstanding the foregoing, any amendment, change or modification of this Indenture that affects only certain Sub-Series Bonds may be made with the prior written consent of only the Owners of such Sub-Series Bonds.

(b) If at any time the Issuer and the Trustee shall desire to execute and deliver a Supplemental Indenture for any of the purposes of this Section 8.02, the Trustee shall, upon being provided with reasonably satisfactory arrangements for payment of its fees and expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed by registered or certified mail to each Owner of the Series 2015 Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Owners of the Series 2015 Bonds. If within 60 days or such longer period as shall be prescribed by the Issuer following the giving of such notice, the Owners of not less than two-thirds in aggregate principal amount of the Series 2015 Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Series 2015 Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof. Subject to Section 8.04 hereof, upon the execution of any such Supplemental Indenture as in this Section 8.02 permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith. Notwithstanding the foregoing, notice of any Supplemental Indenture that affects only certain Sub-Series Bonds may be made sent only the Owners of such Sub-Series Bonds.

Section 8.03 Reliance on Opinion of Counsel. The Trustee and the Issuer shall be entitled to rely upon an opinion of Counsel stating that a Supplemental Indenture is authorized or permitted by this Indenture.

Section 8.04 Consents Required. Anything herein to the contrary notwithstanding, a Supplemental Indenture described in Section 8.02 hereof which adversely affects any rights of the Issuer, the Purchaser, the Program Administrator, the Escrow Agent or the Trustee shall not become effective unless and until the affected party shall have consented in writing to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee shall cause notice of the proposed execution

and delivery of any Supplemental Indenture together with a copy of the proposed Supplemental Indenture to be mailed as provided in Section 4.05 with respect to the redemption of Series 2015 Bonds to the Issuer, the Program Administrator, the Escrow Agent and the Purchaser at least ten (10) days before the date of its proposed execution and delivery.

Section 8.05 Amendments of Bond Documents Not Requiring Consent of Owners of Series 2015 Bonds. The Issuer and the Trustee may, without the consent of or notice to any of the Owners of Series 2015 Bonds (but only with the consent of any one person or entity that owns at least fifty-one percent (51%) in aggregate principal amount of the Outstanding Series 2015 Bonds) enter into any amendment, change or modification of any of the Bond Documents as may be required (a) by the provisions of this Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission therein, (c) so as to add additional rights and remedies for the benefit of Owners of the Series 2015 Bonds, or (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners of the Series 2015 Bonds.

Section 8.06 Amendments of Bond Documents Requiring Consent of Owners of Series 2015 Bonds. Except for the amendments, changes or modifications as provided in Section 8.05 hereof, neither of the Issuer or the Trustee shall enter into any other amendment, change or modification of the Bond Documents without the mailing of notice and the written approval or consent of the Owners of not less than 66-2/3% in aggregate principal amount of the Outstanding Bonds; provided, however, that nothing in this Section or Section 8.05 hereof shall permit or be construed as permitting without the consent of the Owners of all of the Series 2015 Bonds (a) an extension of the time of the payment of any amounts payable under the Bond Documents, or (b) a reduction in the amount of any payment or in the total amount due under the Bond Documents. If at any time the Issuer or the Trustee shall desire the consent to any such proposed amendment, change or modification, the Trustee shall, upon being satisfactorily indemnified with respect to fees and expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided herein with respect to redemption of Series 2015 Bonds. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by all Owners of Series 2015 Bonds. If, within sixty (60) days, or such longer period as shall be prescribed by the Trustee as the case may be, following the mailing of such notice, the Owners of 66-2/3% in aggregate principal amount of the Series 2015 Bonds Outstanding at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as hereto provided, no Owner of any Series 2015 Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer or the Trustee, as the case may be, from executing the same or from taking any action pursuant to the provisions thereof. The Issuer or the Trustee, as the case may be, shall have the right to extend from time to time the period within which such consent and approval may be obtained from Owners of the Series 2015 Bonds. Upon the execution of any such amendment, change or modification as in this Section permitted and provided, the Bond Documents shall be and be deemed to be modified, changed and amended in accordance therewith. Notwithstanding the foregoing, any amendment, change or modification of the Bond Documents that affects only certain Sub-Series Bonds may be made with the prior written consent of, and notice to, only the Owners of such Sub-Series Bonds.

ARTICLE IX

DISCHARGE

Section 9.01 Discharge of Indenture. If the Issuer shall pay, or there shall otherwise be paid, to the Owners of all Series 2015 Bonds the principal or redemption price, if applicable, and

interest due thereon, at the times and in the manner stipulated therein and in this Indenture and if all Trustee Fees and Trustee Expenses and all amounts payable to the Issuer for its own account (including expenses and indemnification) shall be paid in full, then the pledge of revenues, other moneys and securities under this Indenture, and all covenants, agreements and other obligations of the Issuer to the Owners of Series 2015 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Issuer to be prepared and filed with the Issuer and, upon the request of the Issuer, shall execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver as provided in Article V hereof all moneys or securities held by them pursuant to this Indenture after the payment of principal or redemption price, if applicable, of or interest on the Series 2015 Bonds.

Section 9.02 Discharge by Delivery. The Bond Obligations may be discharged by the delivery of the Drawdown Bonds to the Trustee accompanied by written direction from the Purchaser to cancel the Drawdown Bonds, and delivery to the Trustee of written directions from the Owners of all Sub-Series Bonds to cancel such Sub-Series Bonds, without payment (except as provided hereafter in this Section 9.02), and upon such delivery, such Series 2015 Bonds Obligations shall be canceled and deemed paid. In the event only a portion of the Series 2015 Bond Obligations shall be canceled and deemed paid pursuant to the terms of this Section 9.02, those Bond Obligations which are not so canceled and deemed paid shall remain Outstanding for all purposes of this Indenture.

Section 9.03 Discharge by Deposit. The obligation to pay the principal of and interest on all or a portion of the Series 2015 Bonds may be discharged if the Issuer has deposited or caused to be deposited, as trust funds, with the Trustee cash and/or Government Obligations which do not permit the redemption thereof at the option of the issuer thereof, the principal of and interest on which when due (or upon the redemption thereof at the option of the Owner), will, without reinvestment, provide cash which together with the cash, if any, on deposit with the Trustee at the same time, shall be sufficient, to pay and discharge the entire indebtedness on the Series 2015 Bonds not theretofore canceled by the Trustee or delivered to the Trustee for cancellation by the payment of interest on and principal of the Series 2015 Bonds which have become due and payable or which shall become due at their stated maturity or redemption date, as the case may be (the “**Defeasance Collateral**”), and which are to be discharged under the provisions hereof, and has made arrangements satisfactory to the Trustee for the giving of notice of redemption, if any, by the Trustee in the name, and at the expense, of the Issuer. If the period over which payments will be made from the Defeasance Collateral is greater than ninety (90) days, the Issuer must also deliver to the Trustee a verification report prepared by a certified public accountant, with respect to the sufficiency of the Defeasance Collateral to make such payments.

ARTICLE X

MISCELLANEOUS

Section 10.01 Evidence of Signatures of Bond Owners and Ownership of Series 2015 Bonds.

(a) Any request, consent, revocation of consent or other instrument that this Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner of the Series 2015 Bonds or his attorney of such instruments may be proved by a guaranty of the signature thereon by a bank, trust company or national banking association or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to

him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guaranty, certificate or affidavit also shall constitute sufficient proof of his authority.

(b) The ownership of Series 2015 Bonds and the amount, numbers and other identification, and date of holding the same, shall be proved by the registry books maintained by the Trustee.

(c) Any request or consent by the Owner of any Series 2015 Bond shall bind all future owners of such Series 2015 Bond in respect of anything done or suffered to be done by the Issuer or any Trustee in accordance therewith.

Section 10.02 Series 2015 Bonds Not an Obligation of the State or Any Political Subdivision.

(a) The Issuer shall not be obligated to pay the principal or redemption price of or interest on any Sub-Series Bond, except from the collateral securing such Bond and other moneys and assets held by the Trustee pursuant to this Indenture and available therefor as provided herein. Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof (including any member of the Issuer), nor the faith and credit of the Issuer is pledged to the payment of the principal or redemption price of or interest on the Series 2015 Bonds. Neither the Issuer nor any member of the Issuer shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Indenture, the Series 2015 Bonds or any Assessment Contract, except only to the extent amounts are received for the payment thereof from the Series 2015 Bonds or collateral and other moneys and assets held by the Trustee pursuant to this Indenture and available therefor as provided herein. The Trustee hereby acknowledges that the Issuer's sole source of moneys to repay any Series 2015 Bond will be provided by the Assessment or Assessments securing such Series 2015 Bond and other money and assets held by the Trustee pursuant to this Indenture and available therefor as provided herein.

(b) THE SERIES 2015 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE ISSUER, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THIS INDENTURE. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2015 BONDS, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THIS INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THE SERIES 2015 BONDS. THE ISSUANCE OF THE SERIES 2015 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

(c) Each Sub-Series Bond is a "Limited Obligation Improvement Bond" pursuant to section 8769 of the Bond Act and is payable solely from and secured solely by the Assessment or Assessments securing such Bond and the other collateral purported to be pledged and assigned therefore hereunder. Notwithstanding any other provision of the Indenture, neither the Issuer nor any member or associate member of the Issuer is obligated to advance available surplus funds from the Issuer treasury or the treasury of any member or associate member of the Issuer to cure any deficiency in the Revenue Fund.

(d) No recourse may be had for the enforcement of any obligation, promise or agreement of the Issuer contained herein, in any other Bond Documents or in the Series 2015 Bonds or for any claim based hereon or thereon or otherwise in respect hereof or thereof against any director, member, officer, agent, attorney or employee, as such, in his individual capacity, past, present or future, of the Issuer, any member or associate member of the Issuer or of any successor entity to any of them, either directly or through the Issuer, any member or associate member of the Issuer or any successor entity to any of them, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty otherwise. No personal liability whatsoever will attach to, or be incurred by, any director, member, officer, agent, attorney or employee as such, past, present or future, of the Issuer, any member or associate member of the Issuer or of any successor entity to any of them, either directly or through the Issuer, any member or associate member of the Issuer or any successor entity to any of them, under or by reason of any of the obligations, promises or agreements entered into in the Series 2015 Bonds or between the Issuer and the Trustee, whether contained herein or to be implied herefrom as being supplemental hereto; and all personal liability of that character against every such director, member, officer, agent, attorney and employee is, by the execution of this Indenture and as a condition of, and as part of the consideration for, the execution of this Indenture, expressly waived and released.

Section 10.03 Preservation and Inspection of Documents. All documents received by any Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times and upon reasonable prior notice to the inspection of the Issuer, any other Trustee, and any Owner of the Series 2015 Bonds and their agents and their representatives, any of whom may make copies thereof.

Section 10.04 Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Issuer, the Trustee, the Program Administrator, the Purchaser, the Escrow Agent and the Owners of the Series 2015 Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation of this Indenture; and all the covenants, stipulations, promises and agreements in this Indenture shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Program Administrator, the Purchaser, the Escrow Agent and the Owners of the Series 2015 Bonds.

Section 10.05 No Recourse on the Series 2015 Bonds. No recourse shall be had for the payment of the principal or redemption price or purchase price of or interest on the Series 2015 Bonds or for any claim based thereon or on this Indenture or any other Bond Documents against any director, member, officer, employee or agent of the Issuer or any member or any person executing the Series 2015 Bonds.

Section 10.06 Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Indenture on the part of the Issuer or any Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and in no way shall affect the validity of the other provisions of this Indenture.

Section 10.07 Successors. Whenever in this Indenture the Issuer is named or referred to, it shall be deemed to include any entity that may succeed to the principal functions and powers of the Issuer under the Act, and all the covenants and agreements contained in this Indenture by or on behalf of the Issuer shall bind and inure to the benefit of said successor whether so expressed or not.

Section 10.08 Notices, Demands and Requests. Except as otherwise provided in Section 4.05, all notices, demands and requests to be given or made under this Indenture shall be in writing and shall be sufficiently given and shall be deemed given (a) three days after mailing by certified mail, first-

class, postage prepaid; (b) the Business Day after sending by expedited overnight delivery service; (c) the date of receipt if delivered by personal delivery; (d) if sent by facsimile or other means of electronic communication, the date of transmission, if receipt of such transmission is telephonically confirmed on such day and addressed to the Notice Address of the respective addressee. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as set forth below; however, with respect to any future Purchaser, such address as may be shown in the records of the Trustee. A party may change the Notice Address listed for it or designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, at any time upon ten days' prior written notice of such change sent by United States mail, postage prepaid, to the other parties, which charge shall be effective upon receipt. No notice need be given to any party if such party is no longer a party to the transactions contemplated by this Indenture.

To the Issuer: California Home Finance Authority
1215 K Street, Suite 1650
Sacramento, CA 95814
Attention: Craig Ferguson, Vice President

with a copy to: California Home Finance Authority
1215 K Street, Suite 1650
Sacramento, CA 95814
Attention: Greg Norton, Executive Director

To the Trustee: Zions First National Bank
550 South Hope Street, Suite 2650
Los Angeles, California 90071
Attention: Corporate Trust Department

To the Series 2015 Bond Registrar
and Paying Agent: [Same as Trustee]

To the initial Purchaser: Ygrene Energy Fund, Inc.
100 B Street, Suite 210
Santa Rosa California 95401
Attention: Dennis R Hunter, Chairman

with a copy to: Ygrene Energy Fund, Inc.
1931 San Miguel Drive, Suite 100
Walnut Creek, California 94596
Attention: Leslie Johnson
Timken Johnson

To the initial Program Administrator: Ygrene Energy Fund California, LLC
100 B Street, Suite 210
Santa Rosa California 95401
Attention: Dennis R Hunter, Member

with a copy to:

Ygrene Energy Fund, Inc.
1931 San Miguel Drive, Suite 100
Walnut Creek, California 94596
Attention: Leslie Johnson
Timken Johnson

To the initial Escrow Agent:

[Cortland Capital Market Services LLC
225 W. Washington St., 21st Floor
Chicago, Illinois 60606
Attention: David Traverso
Email: David.Traverso@cortlandglobal.com]

Section 10.09 Applicable Law. This Indenture shall be governed exclusively by the applicable laws of the State.

Section 10.10 Table of Contents and Section Headings Not Controlling. The Table of Contents and the headings of the several Articles and Sections of this Indenture have been prepared for convenience of reference only and shall not control, affect the meaning of, or be taken as an interpretation of any provision of this Indenture.

Section 10.11 Effective Date. This Indenture shall take effect immediately upon the execution and delivery by all of the parties hereto.

SIGNATURE PAGES FOLLOW

IN WITNESS WHEREOF, the Issuer has caused these presents to be executed in its name by its duly authorized official; and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be executed in its corporate name and with its corporate seal hereunto affixed and attested by its duly authorized officer, as of the date first above written.

CALIFORNIA HOME FINANCE AUTHORITY

By: _____
Authorized Representative

ZIONS FIRST NATIONAL BANK, as Trustee

By: _____
Authorized Representative

[Signature Page – Trust Indenture]

EXHIBIT A
FORMS OF DRAWDOWN BONDS

[text begins on following page]

EXHIBIT A

FORM OF SERIES 2015A DRAWDOWN BOND

[to be used with 20 year Assessment Contracts]

SUBJECT TO THE EXCEPTIONS SET FORTH IN SECTION 3.10 OF THE INDENTURE (HEREINAFTER DEFINED), THE PURCHASER OF THIS BOND MUST BE AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AND WILL BE REQUIRED TO EXECUTE AND DELIVER AN INVESTMENT LETTER THAT WILL, AMONG OTHER THINGS RESTRICT TRANSFER OF THIS BOND.

**CALIFORNIA HOME FINANCE AUTHORITY
PACE PROGRAM LIMITED OBLIGATION IMPROVEMENT BONDS
SERIES 2015A**

No.: RA-1
Dated Date: _____, 20__
Registered Owner: Ygrene Energy Fund, Inc.
Interest Rate: Variable, as provided herein

CALIFORNIA HOME FINANCE AUTHORITY (hereinafter called the "Issuer"), a public entity of the State of California, for value received hereby promises to pay (but only from the sources and as hereinafter provided) to the Registered Owner specified above, or registered assigns (the "Owner"), (i) the Principal Amount hereof as shall have been Advanced to the Issuer as reflected by the Schedule of Drawings attached as Schedule A hereto (and as confirmed by the Trustee (as hereinafter defined) on the Schedule of Drawings maintained by the Trustee) on each Principal Payment Date for each such Advance, or earlier as provided herein, and (ii) interest on said Principal Amount until the Principal Amount is paid or discharged, at the interest rates per annum on each Advance hereunder. Upon transfer by the Owner of any portion of this Drawdown Bond evidenced by a Series 2015A Sub-Series Bond (as defined below) in accordance with the Indenture, the Trustee shall note such transfer on Schedule B attached hereto. Notwithstanding the foregoing, the Trustee may maintain such log through its bond recordkeeping system.

Interest shall accrue only on such Principal Amount as has been actually drawn by the Issuer, as reflected on the Schedule of Drawings attached hereto and as confirmed on the Schedule of Drawings maintained by the Trustee. THE ACTUAL OUTSTANDING PRINCIPAL BALANCE OF THIS BOND CANNOT BE DETERMINED BY REFERENCE TO THE FACE OF THIS BOND. Advances by the Owner of this Bond shall, upon presentation of this Bond to the Trustee (or while the Trustee holds this Bond in its custody on behalf of the Owner), be noted on the Schedule of Drawings attached to this Bond, but failure to so note such Advance shall not nullify the effectiveness of any such advance by the Owner.

Each Advance made under this Drawdown Bond will be considered a Series 2015A Sub-Series Bond (each a "Series 2015A Sub-Series Bond"), will be separately certificated as a Series 2015A Sub-

Exhibit A

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Series Bond, and will be numbered consecutively from SUBRA-1 upward on the books and records of the Trustee.

The principal of and interest on this Drawdown Bond shall be payable in lawful money of the United States of America by check or draft of the Trustee mailed by first-class mail to the Owners of the Series 2015A Sub-Series Bonds (as defined below) issued hereunder at their addresses appearing on the records of the Trustee; provided, however, that the payment to any Owner of the Series 2015A Sub-Series Bonds shall, upon written request of such Owner, be transmitted by the Trustee by wire transfer or other means requested in writing by the Owner.

This Bond is one of an authorized series of Bonds of the Issuer designated California Home Finance Authority PACE Program Limited Obligation Improvement Bonds, Series 2015A, issued in an unlimited aggregate principal amount (except as otherwise specified in the Indenture) (the “**Series 2015A Bonds**”), for the purpose of providing funds to finance or refinance the cost of Qualifying Improvements (as defined in the hereinafter referred to Indenture).

This Bond is issued under and pursuant to the Trust Indenture dated as of [Dated Date], between the Issuer and Zions First National Bank (the “**Trustee**”) (as amended and supplemented from time to time, the “**Indenture**”), and the Bond Act (as that term is defined in the Indenture). Reference is made to the Indenture and the Bond Act for a full statement of their respective terms.

The Indenture authorized three separate series of drawdown bonds to be issued thereunder, designated Series 2015A, Series 2015B and Series 2015C. Sub-Series Bonds may be issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond, and the Series 2015C Drawdown Bond. The Sub-Series Bonds issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond and the Series 2015C Drawdown Bond, are collectively referred to herein as the “**Sub-Series Bonds**.”

Defined Terms.

The following capitalized terms, as used in this Bond, shall have the meanings specified below unless the context otherwise shall require. All other capitalized terms used herein and not otherwise defined herein have the respective meanings accorded such terms in the Indenture, which is hereby incorporated herein by reference.

“**Advance**” means each payment by the Purchaser of a portion of the purchase price of this Drawdown Bond in accordance with the terms of the Purchase Agreement. “**Advanced**” means that an Advance has been made.

“**Escrow Agent**” means [Cortland Capital Market Services LLC], as Escrow Agent under the Purchase Agreement, and any successor or replacement appointed by the Issuer.

“**Interest Payment Date**” means with respect to each Series 2015A Sub-Series Bond, each March 2 and September 2, commencing on the March 2 or September 2 specified in the applicable Funding Notice and Requisition.

“**Minimum Transfer Amount**” means \$100,000.

“**Principal Payment Date**” means with respect to each Series 2015A Sub-Series Bond, each September 2, commencing on the September 2 specified in the applicable Funding Notice and Requisition.

Exhibit A

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“Program Administration Agreement” means the Third Party Administration Agreement, dated as of _____, between the Issuer and the Program Administrator.

“Program Administrator” means Ygrene Energy Fund California, LLC, as Program Administrator under the Program Administration Agreement, and any successor or replacement appointed by the Issuer under the Program Administration Agreement or such other Person as is appointed by the Issuer, either on its own initiative or at the request of the then-current Program Administrator, to perform all or some of the functions of the Program Administrator under this Indenture and/or the Purchase Agreement.

“Purchaser” means Ygrene Energy Fund, Inc. (together with any successor thereto or replacement thereof appointed by the Issuer under the Purchase Agreement).

“Purchase Agreement” means the Bond Purchase and Draw-Down Agreement, dated as of [Dated Date], among the Issuer, the Trustee, the Program Administrator, the Escrow Agent and the Purchaser.

General.

THIS BOND DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE ISSUER, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THIS INDENTURE. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2015 BONDS, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THIS INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THE SERIES 2015 BONDS. THE ISSUANCE OF THE SERIES 2015 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Each Series 2015A Sub-Series Bond is a “Limited Obligation Improvement Bond” pursuant to section 8769 of the Bond Act and is payable solely from and secured solely by the Assessment or Assessments securing such Bond and the other collateral purported to be pledged and assigned therefore under the Indenture. Notwithstanding any other provision of the Indenture, neither the Issuer nor any member or associate member of the Issuer is obligated to advance available surplus funds from the Issuer treasury or the treasury of any member or associate member of the Issuer to cure any deficiency in the Revenue Fund.

The Series 2015A Bonds are issuable as one fully registered Drawdown Bond in an unlimited aggregate principal amount (except as otherwise specified in the Indenture); however, the principal amount due hereon shall be only such amount as has been drawn down by the Issuer. Each Advance made under this Drawdown Bond will be considered a Series 2015A Sub-Series Bond and will be numbered consecutively from SUBRA-1 upward on the books and records of the Trustee. The Issuer, the Trustee, and any other person may treat the person in whose name this Drawdown Bond and any Series 2015A Sub-Series Bond is registered on the books of registry as the Owner hereof or thereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not such Bond be overdue, and no person shall be affected by notice to the contrary.

Exhibit A

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Interest Rates.

(a) General. The Series 2015A Bonds shall bear interest on the outstanding principal amount, from time to time, at the interest rate determined and payable in the following manner.

(i) Each Advance and the corresponding Series 2015A Sub-Series Bond shall have its own interest rate associated with it. On each date that an Advance is made hereunder, the interest rate on the amount Advanced shall be determined by the Program Administrator and computed on the basis of a year of [365 or 366] days, as applicable, for the actual number of days elapsed. The Program Administrator shall provide to the Trustee and the Purchaser the interest rate and maturity date applicable to each Advance and corresponding Series 2015A Sub-Series Bond in the Funding Notice and Requisition. Absent manifest error, the determination of the interest rate by the Program Administrator shall be conclusive and binding upon the Owners, the Purchaser, the Issuer and the Trustee. The interest rate established for each Advance shall be fixed for the entire term that the Assessment Contract or Assessment Contracts associated with the draw are in effect.

(ii) The amount of interest payable on each Interest Payment Date shall be the amount of interest accrued on the outstanding balance of the aggregate Advances made from the preceding Interest Payment Date to, but not including, the Interest Payment Date on which interest is being paid; provided that the amount of interest payable on the first Interest Payment Date for any Advance shall be the amount of interest accrued on the outstanding balance of such Advance from the Interest Accrual Date specified by the Program Administrator for such Advance in the applicable Funding Notice and Requisition to, but not including, such Interest Payment Date. The Program Administrator shall calculate the amount of interest due on each Interest Payment Date and shall provide written notice of such amount, together with a breakdown of the amount applicable to each Series 2015A Sub-Series Bond, to the Trustee at least five (5) Business Days prior to such Interest Payment Date.

(b) Usury. The Issuer intends to conform strictly to the usury laws applicable to the Indenture and the Series 2015A Bonds, and all agreements made in connection with the Indenture, the Series 2015A Bonds and the Bond Documents are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid to the Owners as interest or the amounts paid for the use of money Advanced or to be Advanced hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of the Indenture, the Series 2015A Bonds or the other Bond Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Owners shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Owners, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Issuer.

Principal Payments. Principal of the Series 2015A Bonds shall be payable on each Principal Payment Date and upon redemption thereof. The amount of principal payable on each Principal Payment Date shall be (i) the amount of principal scheduled to be collected by the Issuer from all of the annual Assessment payments made from the preceding Principal Payment Date to, but not including, the Principal Payment Date on which principal is being paid and (ii) upon redemption of any of the Series 2015A Bonds, the principal amount being redeemed. The Program Administrator shall calculate the

amount of principal due on each Principal Payment Date and shall provide written notice of such amount, together with a breakdown of the amount applicable to each Series 2015A Sub-Series Bond, to the Trustee at least five (5) Business Days prior to such Principal Payment Date.

Security.

(a) Pursuant to the provisions of the Purchase Agreement and the Indenture, at least one (1) Business Day prior to the date when such funds will be Advanced hereunder, the Program Administrator shall provide a Funding Notice and Requisition to the Trustee, which shall contain (1) the date of the Advance, (2) the amount of the Advance, (3) the Identifying Number or Identifying Numbers of the Assessment Contract or Assessment Contracts associated with the Advance, (4) the interest rate applicable to the Advance and the corresponding Series 2015A Sub-Series Bond, (5) the amount of the associated total Assessment or Assessments and (6) the schedule of the annual Assessment payments due under the related Assessment Contract or Assessment Contracts (collectively, the "**Collateral Information**"). A Funding Notice and Requisition may be submitted with respect to multiple Advances, as specified therein.

(b) The Assessment Contract or Assessment Contracts, the related Assessment or Assessments, the Pledged Revenues, the funds in any segregated account of the Revenue Fund established pursuant to Section 6.05 of the Indenture, and the proceeds of the foregoing, are hereinafter collectively referred to as the "**Matching Collateral**" for such Series 2015A Sub-Series Bond.

(c) THE MATCHING COLLATERAL FOR ANY SERIES 2015A SUB-SERIES BOND WILL CONTINUE TO BE THE MATCHING COLLATERAL FOR SUCH SERIES 2015A SUB-SERIES BOND UPON ANY TRANSFER OR EXCHANGE OF SUCH SERIES 2015A SUB-SERIES BOND, AND SUCH SERIES 2015A SUB-SERIES BOND SHALL HAVE NO LIEN ON, AND NO RIGHT TO PAYMENT FROM, ANY OTHER COLLATERAL HELD HEREUNDER. NO PORTION OF THE MATCHING COLLATERAL FOR ANY SERIES 2015A SUB-SERIES BOND MAY BE TRANSFERRED TO ANY OTHER SERIES 2015A SUB-SERIES BOND.

Registration and Transfer.

A Series 2015A Sub-Series Bond may be transferred in whole by any Owner, or pledged in whole by any Owner as collateral for a loan, only as follows:

(a) to any subsidiary of the Owner, any Affiliate of the Owner, any entity arising out of any merger or consolidation of the Owner, or a trustee in bankruptcy of the Owner;

(b) to any "accredited investor" (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) or any "qualified institutional buyer" (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended);

(c) to any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any "accredited investor" or "qualified institutional buyer," each as defined in clause (b) above, or on its own behalf); or

(d) to any trust or custodial arrangement each of the beneficial owners of which, or owners of certificates issued thereby, is required to be an "accredited investor" or "qualified institutional buyer" (as defined in clause (b) above).

BY ITS ACQUISITION HEREOF, THE OWNER OF THIS BOND (A) REPRESENTS THAT IT IS AN ENTITY DESCRIBED IN THE PRECEDING PARAGRAPH, (B) AGREES THAT IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SERIES 2015A SUB-SERIES BOND EXCEPT AS PROVIDED IN THE INDENTURE, AND (C) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM ANY SERIES 2015A SUB-SERIES BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

Any transfer (but not a pledge as collateral for a loan) of a Series 2015A Sub-Series Bond described in clauses (b), (c) or (d) above shall be conditioned upon delivery by the proposed transferee to the Trustee of an investor letter in substantially the form set forth in Exhibit E to the Indenture; provided that once a particular entity has delivered such an investor letter in connection with a purchase of Series 2015A Bonds, it shall not be required to deliver another investor letter in connection with a subsequent purchase of Series 2015A Bonds.

No Series 2015A Sub-Series Bond may be transferred unless:

(i) the Outstanding principal amount of such Series 2015A Sub-Series Bond equals or exceeds the Minimum Transfer Amount; or

(ii) such Series 2015A Sub-Series Bond is being transferred to a single investor meeting the requirements of paragraph (d) above simultaneously with the transfer to such investor of other Sub-Series Bonds, and the aggregate Outstanding principal amount of all of such Sub-Series Bonds being transferred equals or exceeds the Minimum Transfer Amount; or

(iii) the transferee already owns Sub-Series Bonds the aggregate Outstanding principal amount of which equals or exceeds the Minimum Transfer Amount prior to such transfer.

The provisions of this paragraph shall not apply to a pledge of a Series 2015A Sub-Series Bond in whole by any Owner as collateral for a loan. Any Series 2015A Sub-Series Bond may be pledged in whole by any Owner as collateral for a loan regardless of the Outstanding principal amount of the Series 2015A Sub-Series Bond.

Mandatory Redemption.

(a) Each Series 2015A Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in part on each Principal Payment Date, after and to the extent that the Trustee receives the annual Assessment payment for the related Assessment or Assessments, at a redemption price equal to the principal amount paid on the related Assessment or Assessments in accordance with the payment schedule for the related Assessment or Assessments, together with accrued interest to the date of redemption. Prior to any such redemption, the Program Administrator will have provided to the Trustee the applicable information described in the preceding sentence. The Trustee shall thereupon note on its books the portion of the Series 2015A Sub-Series Bond that has been redeemed.

(b) Each Series 2015A Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in whole or in part on any Interest Payment Date, after and to the extent that the Trustee receives a prepayment of a related Assessment, at a redemption price equal to the principal amount paid on the Assessment being prepaid, together with accrued interest to the date of redemption and a redemption premium equal to a percentage of the principal amount of the 2014A Sub-Series Bond to be redeemed, such percentage to be equal to the prepayment premium percentage specified in the related Assessment Contract or Assessment Contracts. Prior to any such redemption, the Program Administrator shall provide to the Trustee the applicable Collateral Information related to such

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prepayment. The Trustee shall thereupon (i) note on its books the portion of the Series 2015A Sub-Series Bond that has been redeemed or that the Series 2015A Sub-Series Bond has been redeemed in full and (ii) if the redemption is in full, cancel such Series 2015A Sub-Series Bond.

Optional Redemption.

Each Series 2015A Sub-Series Bond shall be subject to optional redemption, at the written direction to the Trustee from the Purchaser, from any source of funds, in whole but not in part, at any time without premium, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption. Prior to any such redemption, the Purchaser shall provide to the Trustee immediately available funds sufficient to pay the redemption price, and the Program Administrator acting on behalf of the Issuer, shall provide to the Trustee the Collateral Information related to such Series 2015A Sub-Series Bond to be redeemed. The Trustee shall thereupon (i) note on its books that the Series 2015A Sub-Series Bond has been redeemed in full, and (ii) cancel such Series 2015A Sub-Series Bond.

Enforcement. Only the Owner of each Series 2015A Sub-Series Bond shall have the right to direct the Trustee to enforce the provisions of its Series 2015A Sub-Series Bond or the Indenture or to institute any action to enforce the covenants herein or therein related to such Series 2015A Sub-Series Bond, or to take any action with respect to any Event of Default under the Indenture related to such Series 2015A Sub-Series Bond, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

Discharge. The Indenture prescribes the manner in which it may be discharged and after which the Series 2015 Bonds shall be deemed to be paid and no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of registration and exchange of Bonds and of such payment.

Modifications. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

This Drawdown Bond shall not be valid or obligatory for any purpose until it shall have been signed on behalf of the Issuer and such signature attested, by the officer, and in the manner, provided in the Indenture, and authenticated by a duly authorized officer of the Trustee.

It is hereby certified and recited that all conditions, acts and things required by the statutes of the State or by the Bond Act or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Drawdown Bond exist, have happened and have been performed and that the issue of the Series 2015A Bonds is within every debt and other limit prescribed by said statutes.

In the event of any inconsistency between the provisions of this Drawdown Bond and the provisions of the Indenture, the provisions of the Indenture shall control.

IN WITNESS WHEREOF, the CALIFORNIA HOME FINANCE AUTHORITY has caused this Bond to be executed in its name by the manual or facsimile signature of its Executive Director, and attested by the manual or facsimile signature of its Secretary.

CALIFORNIA HOME FINANCE AUTHORITY

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By: _____
Executive Director

Attest: _____
Secretary

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Indenture and issued under the provisions of the within mentioned Indenture.

ZIONS FIRST NATIONAL BANK, as Trustee

By: _____
Authorized Officer

Date of Authentication: _____

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bonds in the books kept by the Trustee for the registration thereof, with full power of substitution in the premises.

Date: _____

SOCIAL SECURITY NUMBER OR
FEDERAL IDENTIFICATION
NUMBER OF ASSIGNEE

NOTICE: The signature of this assignment must correspond with the name as it appears upon the within Bond in every particulate, or any change whatever.

[Form of Abbreviations]

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to the applicable laws or regulations.

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with the right of survivorship and not as tenants in common

UNIFORM TRANS MIN ACT - _____ Custodian for _____ (Cust.) (Minor) under Uniform Transfers to Minors Act of _____ (State).

Additional abbreviations may also be used though not in the above list.

Name and address of assignee for payment and notice purposes

Notice: _____

Payment: _____

Date: _____

Assignee: _____

By: _____

Title: _____

SCHEDULE A
SCHEDULE OF DRAWINGS

Date of Draw

Amount of Draw

SCHEDULE B

SCHEDULE OF TRANSFERS

Date of Transfer

Series 2015A Sub-Series Bond Transferred

EXHIBIT A-2

FORM OF SERIES 2015B DRAWDOWN BOND

[to be used with 15 year Assessment Contracts]

SUBJECT TO THE EXCEPTIONS SET FORTH IN SECTION 3.10 OF THE INDENTURE (HEREINAFTER DEFINED), THE PURCHASER OF THIS BOND MUST BE AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AND WILL BE REQUIRED TO EXECUTE AND DELIVER AN INVESTMENT LETTER THAT WILL, AMONG OTHER THINGS RESTRICT TRANSFER OF THIS BOND.

CALIFORNIA HOME FINANCE AUTHORITY
PACE PROGRAM LIMITED OBLIGATION IMPROVEMENT BONDS
SERIES 2015B

No.: RB-1
Dated Date: _____, 20____
Registered Owner: Ygrene Energy Fund, Inc.
Interest Rate: Variable, as provided herein

CALIFORNIA HOME FINANCE AUTHORITY (hereinafter called the "Issuer"), a public entity of the State of California, for value received hereby promises to pay (but only from the sources and as hereinafter provided) to the Registered Owner specified above, or registered assigns (the "Owner"), (i) the Principal Amount hereof as shall have been Advanced to the Issuer as reflected by the Schedule of Drawings attached as Schedule A hereto (and as confirmed by the Trustee (as hereinafter defined) on the Schedule of Drawings maintained by the Trustee) on each Principal Payment Date for each such Advance, or earlier as provided herein, and (ii) interest on said Principal Amount until the Principal Amount is paid or discharged, at the interest rates per annum on each Advance hereunder. Upon transfer by the Owner of any portion of this Drawdown Bond evidenced by a Series 2015B Sub-Series Bond (as defined below) in accordance with the Indenture, the Trustee shall note such transfer on Schedule B attached hereto. Notwithstanding the foregoing, the Trustee may maintain such log through its bond recordkeeping system.

Interest shall accrue only on such Principal Amount as has been actually drawn by the Issuer, as reflected on the Schedule of Drawings attached hereto and as confirmed on the Schedule of Drawings maintained by the Trustee. THE ACTUAL OUTSTANDING PRINCIPAL BALANCE OF THIS BOND CANNOT BE DETERMINED BY REFERENCE TO THE FACE OF THIS BOND. Advances by the Owner of this Bond shall, upon presentation of this Bond to the Trustee (or while the Trustee holds this Bond in its custody on behalf of the Owner), be noted on the Schedule of Drawings attached to this Bond, but failure to so note such Advance shall not nullify the effectiveness of any such advance by the Owner.

Each Advance made under this Drawdown Bond will be considered a Series 2015B Sub-Series Bond (each a "Series 2015B Sub-Series Bond"), will be separately certificated as a Series 2015B Sub-

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Series Bond, and will be numbered consecutively from SUBRA-1 upward on the books and records of the Trustee.

The principal of and interest on this Drawdown Bond shall be payable in lawful money of the United States of America by check or draft of the Trustee mailed by first-class mail to the Owners of the Series 2015B Sub-Series Bonds (as defined below) issued hereunder at their addresses appearing on the records of the Trustee; provided, however, that the payment to any Owner of the Series 2015B Sub-Series Bonds shall, upon written request of such Owner, be transmitted by the Trustee by wire transfer or other means requested in writing by the Owner.

This Bond is one of an authorized series of Bonds of the Issuer designated California Home Finance Authority PACE Program Limited Obligation Improvement Bonds, Series 2015B, issued in an unlimited aggregate principal amount (except as otherwise specified in the Indenture) (the "**Series 2015B Bonds**"), for the purpose of providing funds to finance or refinance the cost of Qualifying Improvements (as defined in the hereinafter referred to Indenture).

This Bond is issued under and pursuant to the Trust Indenture dated as of [Dated Date], between the Issuer and Zions First National Bank (the "**Trustee**") (as amended and supplemented from time to time, the "**Indenture**"), and the Bond Act (as that term is defined in the Indenture). Reference is made to the Indenture and the Bond Act for a full statement of their respective terms.

The Indenture authorized three separate series of drawdown bonds to be issued thereunder, designated Series 2015A, Series 2015B and Series 2015C. Sub-Series Bonds may be issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond, and the Series 2015C Drawdown Bond. The Sub-Series Bonds issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond and the Series 2015C Drawdown Bond, are collectively referred to herein as the "**Sub-Series Bonds**."

Defined Terms.

The following capitalized terms, as used in this Bond, shall have the meanings specified below unless the context otherwise shall require. All other capitalized terms used herein and not otherwise defined herein have the respective meanings accorded such terms in the Indenture, which is hereby incorporated herein by reference.

"Advance" means each payment by the Purchaser of a portion of the purchase price of this Drawdown Bond in accordance with the terms of the Purchase Agreement. **"Advanced"** means that an Advance has been made.

"Escrow Agent" means [Cortland Capital Market Services LLC], as Escrow Agent under the Purchase Agreement, and any successor or replacement appointed by the Issuer.

"Interest Payment Date" means with respect to each Series 2015B Sub-Series Bond, each March 2 and September 2, commencing on the March 2 or September 2 specified in the applicable Funding Notice and Requisition.

"Minimum Transfer Amount" means \$100,000.

"Principal Payment Date" means with respect to each Series 2015B Sub-Series Bond, each September 2, commencing on the September 2 specified in the applicable Funding Notice and Requisition.

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“Program Administration Agreement” means the Third Party Administration Agreement, dated as of _____, between the Issuer and the Program Administrator.

“Program Administrator” means Ygrene Energy Fund California, LLC, as Program Administrator under the Program Administration Agreement, and any successor or replacement appointed by the Issuer under the Program Administration Agreement or such other Person as is appointed by the Issuer, either on its own initiative or at the request of the then-current Program Administrator, to perform all or some of the functions of the Program Administrator under this Indenture and/or the Purchase Agreement.

“Purchaser” means Ygrene Energy Fund, Inc. (together with any successor thereto or replacement thereof appointed by the Issuer under the Purchase Agreement).

“Purchase Agreement” means the Bond Purchase and Draw-Down Agreement, dated as of [Dated Date], among the Issuer, the Trustee, the Program Administrator, the Escrow Agent and the Purchaser.

General.

THIS BOND DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE ISSUER, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THIS INDENTURE. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2015 BONDS, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THIS INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THE SERIES 2015 BONDS. THE ISSUANCE OF THE SERIES 2015 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Each Series 2015B Sub-Series Bond is a “Limited Obligation Improvement Bond” pursuant to section 8769 of the Bond Act and is payable solely from and secured solely by the Assessment or Assessments securing such Bond and the other collateral purported to be pledged and assigned therefore under the Indenture. Notwithstanding any other provision of the Indenture, neither the Issuer nor any member or associate member of the Issuer is obligated to advance available surplus funds from the Issuer treasury or the treasury of any member or associate member of the Issuer to cure any deficiency in the Revenue Fund.

The Series 2015B Bonds are issuable as one fully registered Drawdown Bond in an unlimited aggregate principal amount (except as otherwise specified in the Indenture); however, the principal amount due hereon shall be only such amount as has been drawn down by the Issuer. Each Advance made under this Drawdown Bond will be considered a Series 2015B Sub-Series Bond and will be numbered consecutively from SUBRB-1 upward on the books and records of the Trustee. The Issuer, the Trustee, and any other person may treat the person in whose name this Drawdown Bond and any Series 2015B Sub-Series Bond is registered on the books of registry as the Owner hereof or thereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not such Bond be overdue, and no person shall be affected by notice to the contrary.

Interest Rates.

(a) General. The Series 2015B Bonds shall bear interest on the outstanding principal amount, from time to time, at the interest rate determined and payable in the following manner.

(iii) Each Advance and the corresponding Series 2015B Sub-Series Bond shall have its own interest rate associated with it. On each date that an Advance is made hereunder, the interest rate on the amount Advanced shall be determined by the Program Administrator and computed on the basis of a year of [365 or 366] days, as applicable, for the actual number of days elapsed. The Program Administrator shall provide to the Trustee and the Purchaser the interest rate and maturity date applicable to each Advance and corresponding Series 2015B Sub-Series Bond in the Funding Notice and Requisition. Absent manifest error, the determination of the interest rate by the Program Administrator shall be conclusive and binding upon the Owners, the Purchaser, the Issuer and the Trustee. The interest rate established for each Advance shall be fixed for the entire term that the Assessment Contract or Assessment Contracts associated with the draw are in effect.

(iv) The amount of interest payable on each Interest Payment Date shall be the amount of interest accrued on the outstanding balance of the aggregate Advances made from the preceding Interest Payment Date to, but not including, the Interest Payment Date on which interest is being paid; provided that the amount of interest payable on the first Interest Payment Date for any Advance shall be the amount of interest accrued on the outstanding balance of such Advance from the Interest Accrual Date specified by the Program Administrator for such Advance in the applicable Funding Notice and Requisition to, but not including, such Interest Payment Date. The Program Administrator shall calculate the amount of interest due on each Interest Payment Date and shall provide written notice of such amount, together with a breakdown of the amount applicable to each Series 2015B Sub-Series Bond, to the Trustee at least five (5) Business Days prior to such Interest Payment Date.

(b) Usury. The Issuer intends to conform strictly to the usury laws applicable to the Indenture and the Series 2015B Bonds, and all agreements made in connection with the Indenture, the Series 2015B Bonds and the Bond Documents are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid to the Owners as interest or the amounts paid for the use of money Advanced or to be Advanced hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of the Indenture, the Series 2015B Bonds or the other Bond Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Owners shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Owners, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Issuer.

Principal Payments. Principal of the Series 2015B Bonds shall be payable on each Principal Payment Date and upon redemption thereof. The amount of principal payable on each Principal Payment Date shall be (i) the amount of principal scheduled to be collected by the Issuer from all of the annual Assessment payments made from the preceding Principal Payment Date to, but not including, the Principal Payment Date on which principal is being paid and (ii) upon redemption of any of the Series 2015B Bonds, the principal amount being redeemed. The Program Administrator shall calculate the

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amount of principal due on each Principal Payment Date and shall provide written notice of such amount, together with a breakdown of the amount applicable to each Series 2015B Sub-Series Bond, to the Trustee at least five (5) Business Days prior to such Principal Payment Date.

Security.

(c) Pursuant to the provisions of the Purchase Agreement and the Indenture, at least one (1) Business Day prior to the date when such funds will be Advanced hereunder, the Program Administrator shall provide a Funding Notice and Requisition to the Trustee, which shall contain (1) the date of the Advance, (2) the amount of the Advance, (3) the Identifying Number or Identifying Numbers of the Assessment Contract or Assessment Contracts associated with the Advance, (4) the interest rate applicable to the Advance and the corresponding Series 2015B Sub-Series Bond, (5) the amount of the associated total Assessment or Assessments and (6) the schedule of the annual Assessment payments due under the related Assessment Contract or Assessment Contracts (collectively, the “**Collateral Information**”). A separate Funding Notice and Requisition shall be submitted with respect to each Advance.

(d) The Assessment Contract or Assessment Contracts, the related Assessment or Assessments, the Pledged Revenues, the funds in any segregated account of the Revenue Fund established pursuant to Section 6.05 of the Indenture, and the proceeds of the foregoing, are hereinafter collectively referred to as the “**Matching Collateral**” for such Series 2015B Sub-Series Bond.

(c) THE MATCHING COLLATERAL FOR ANY SERIES 2015B SUB-SERIES BOND WILL CONTINUE TO BE THE MATCHING COLLATERAL FOR SUCH SERIES 2015B SUB-SERIES BOND UPON ANY TRANSFER OR EXCHANGE OF SUCH SERIES 2015B SUB-SERIES BOND, AND SUCH SERIES 2015B SUB-SERIES BOND SHALL HAVE NO LIEN ON, AND NO RIGHT TO PAYMENT FROM, ANY OTHER COLLATERAL HELD HEREUNDER. NO PORTION OF THE MATCHING COLLATERAL FOR ANY SERIES 2015B SUB-SERIES BOND MAY BE TRANSFERRED TO ANY OTHER SERIES 2015B SUB-SERIES BOND.

Registration and Transfer.

A Series 2015B Sub-Series Bond may be transferred in whole by any Owner, or pledged in whole by any Owner as collateral for a loan, only as follows:

(a) to any subsidiary of the Owner, any Affiliate of the Owner, any entity arising out of any merger or consolidation of the Owner, or a trustee in bankruptcy of the Owner;

(b) to any “accredited investor” (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) or any “qualified institutional buyer” (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended);

(c) to any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any “accredited investor” or “qualified institutional buyer,” each as defined in clause (b) above, or on its own behalf); or

(d) to any trust or custodial arrangement each of the beneficial owners of which, or owners of certificates issued thereby, is required to be an “accredited investor” or “qualified institutional buyer” (as defined in clause (b) above).

BY ITS ACQUISITION HEREOF, THE OWNER OF THIS BOND (A) REPRESENTS THAT IT IS AN ENTITY DESCRIBED IN THE PRECEDING PARAGRAPH, (B) AGREES THAT IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SERIES 2015B SUB-SERIES BOND EXCEPT AS PROVIDED IN THE INDENTURE, AND (C) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM ANY SERIES 2015B SUB-SERIES BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

Any transfer (but not a pledge as collateral for a loan) of a Series 2015B Sub-Series Bond described in clauses (b), (c) or (d) above shall be conditioned upon delivery by the proposed transferee to the Trustee of an investor letter in substantially the form set forth in Exhibit E to the Indenture; provided that once a particular entity has delivered such an investor letter in connection with a purchase of Series 2015B Bonds, it shall not be required to deliver another investor letter in connection with a subsequent purchase of Series 2015B Bonds.

No Series 2015B Sub-Series Bond may be transferred unless:

(i) the Outstanding principal amount of such Series 2015B Sub-Series Bond equals or exceeds the Minimum Transfer Amount; or

(ii) such Series 2015B Sub-Series Bond is being transferred to a single investor meeting the requirements of paragraph (d) above simultaneously with the transfer to such investor of other Sub-Series Bonds, and the aggregate Outstanding principal amount of all of such Sub-Series Bonds being transferred equals or exceeds the Minimum Transfer Amount; or

(iii) the transferee already owns Sub-Series Bonds the aggregate Outstanding principal amount of which equals or exceeds the Minimum Transfer Amount prior to such transfer.

The provisions of this paragraph shall not apply to a pledge of a Series 2015B Sub-Series Bond in whole by any Owner as collateral for a loan. Any Series 2015B Sub-Series Bond may be pledged in whole by any Owner as collateral for a loan regardless of the Outstanding principal amount of the Series 2015B Sub-Series Bond.

Mandatory Redemption.

(a) Each Series 2015B Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in part on each Principal Payment Date, after and to the extent that the Trustee receives the annual Assessment payment for the related Assessment or Assessments, at a redemption price equal to the principal amount paid on the related Assessment or Assessments in accordance with the payment schedule for the related Assessment or Assessments, together with accrued interest to the date of redemption. Prior to any such redemption, the Program Administrator will have provided to the Trustee the applicable information described in the preceding sentence. The Trustee shall thereupon note on its books the portion of the Series 2015B Sub-Series Bond that has been redeemed.

(b) Each Series 2015B Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in whole or in part on any Interest Payment Date, after and to the extent that the Trustee receives a prepayment of a related Assessment, at a redemption price equal to the principal amount paid on the Assessment being prepaid, together with accrued interest to the date of redemption and a redemption premium equal to a percentage of the principal amount of the 2014B Sub-Series Bond to be redeemed, such percentage to be equal to the prepayment premium percentage specified in the related Assessment Contract or Assessment Contracts. Prior to any such redemption, the Program Administrator shall provide to the Trustee the applicable Collateral Information related to such

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prepayment. The Trustee shall thereupon (i) note on its books the portion of the Series 2015B Sub-Series Bond that has been redeemed or that the Series 2015B Sub-Series Bond has been redeemed in full and (ii) if the redemption is in full, cancel such Series 2015B Sub-Series Bond.

Optional Redemption.

Each Series 2015B Sub-Series Bond shall be subject to optional redemption, at the written direction to the Trustee from the Purchaser, from any source of funds, in whole but not in part, at any time without premium, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption. Prior to any such redemption, the Purchaser shall provide to the Trustee immediately available funds sufficient to pay the redemption price, and the Program Administrator acting on behalf of the Issuer, shall provide to the Trustee the Collateral Information related to such Series 2015B Sub-Series Bond to be redeemed. The Trustee shall thereupon (i) note on its books that the Series 2015B Sub-Series Bond has been redeemed in full, and (ii) cancel such Series 2015B Sub-Series Bond.

Enforcement. Only the Owner of each Series 2015B Sub-Series Bond shall have the right to direct the Trustee to enforce the provisions of its Series 2015B Sub-Series Bond or the Indenture or to institute any action to enforce the covenants herein or therein related to such Series 2015B Sub-Series Bond, or to take any action with respect to any Event of Default under the Indenture related to such Series 2015B Sub-Series Bond, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

Discharge. The Indenture prescribes the manner in which it may be discharged and after which the Series 2015 Bonds shall be deemed to be paid and no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of registration and exchange of Bonds and of such payment.

Modifications. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

This Drawdown Bond shall not be valid or obligatory for any purpose until it shall have been signed on behalf of the Issuer and such signature attested, by the officer, and in the manner, provided in the Indenture, and authenticated by a duly authorized officer of the Trustee.

It is hereby certified and recited that all conditions, acts and things required by the statutes of the State or by the Bond Act or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Drawdown Bond exist, have happened and have been performed and that the issue of the Series 2015B Bonds is within every debt and other limit prescribed by said statutes.

In the event of any inconsistency between the provisions of this Drawdown Bond and the provisions of the Indenture, the provisions of the Indenture shall control.

IN WITNESS WHEREOF, the CALIFORNIA HOME FINANCE AUTHORITY has caused this Bond to be executed in its name by the manual or facsimile signature of its Executive Director, and attested by the manual or facsimile signature of its Secretary.

CALIFORNIA HOME FINANCE AUTHORITY

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By: _____
Executive Director

Attest: _____
Secretary

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Indenture and issued under the provisions of the within mentioned Indenture.

ZIONS FIRST NATIONAL BANK, as Trustee

By: _____
Authorized Officer

Date of Authentication: _____

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bonds in the books kept by the Trustee for the registration thereof, with full power of substitution in the premises.

Date: _____

SOCIAL SECURITY NUMBER OR
FEDERAL IDENTIFICATION
NUMBER OF ASSIGNEE

NOTICE: The signature of this assignment must correspond with the name as it appears upon the within Bond in every particulate, or any change whatever.

[Form of Abbreviations]

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to the applicable laws or regulations.

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with the right of survivorship and not as tenants in common

UNIFORM TRANS MIN ACT - _____ Custodian for _____ (Cust.) (Minor) under

Uniform Transfers to Minors Act of _____ (State).

Additional abbreviations may also be used though not in the above list.

Name and address of assignee for payment and notice purposes

Notice: _____

Payment: _____

Date: _____

Assignee: _____

By: _____

Title: _____

SCHEDULE A
SCHEDULE OF DRAWINGS

Date of Draw

Amount of Draw

SCHEDULE B

SCHEDULE OF TRANSFERS

Date of Transfer

Series 2015B Sub-Series Bond Transferred

EXHIBIT A-3

FORM OF SERIES 2015C DRAWDOWN BOND

[to be used with 10 year Assessment Contracts]

SUBJECT TO THE EXCEPTIONS SET FORTH IN SECTION 3.10 OF THE INDENTURE (HEREINAFTER DEFINED), THE PURCHASER OF THIS BOND MUST BE AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AND WILL BE REQUIRED TO EXECUTE AND DELIVER AN INVESTMENT LETTER THAT WILL, AMONG OTHER THINGS RESTRICT TRANSFER OF THIS BOND.

CALIFORNIA HOME FINANCE AUTHORITY
PACE PROGRAM LIMITED OBLIGATION IMPROVEMENT BONDS
SERIES 2015C

No.: RC-1

Dated Date:

_____, 20__

Registered Owner:

Ygrene Energy Fund, Inc.

Interest Rate:

Variable, as provided herein

CALIFORNIA HOME FINANCE AUTHORITY (hereinafter called the "Issuer"), a public entity of the State of California, for value received hereby promises to pay (but only from the sources and as hereinafter provided) to the Registered Owner specified above, or registered assigns (the "Owner"), (i) the Principal Amount hereof as shall have been Advanced to the Issuer as reflected by the Schedule of Drawings attached as Schedule A hereto (and as confirmed by the Trustee (as hereinafter defined) on the Schedule of Drawings maintained by the Trustee) on each Principal Payment Date for each such Advance, or earlier as provided herein, and (ii) interest on said Principal Amount until the Principal Amount is paid or discharged, at the interest rates per annum on each Advance hereunder. Upon transfer by the Owner of any portion of this Drawdown Bond evidenced by a Series 2015C Sub-Series Bond (as defined below) in accordance with the Indenture, the Trustee shall note such transfer on Schedule B attached hereto. Notwithstanding the foregoing, the Trustee may maintain such log through its bond recordkeeping system.

Interest shall accrue only on such Principal Amount as has been actually drawn by the Issuer, as reflected on the Schedule of Drawings attached hereto and as confirmed on the Schedule of Drawings maintained by the Trustee. THE ACTUAL OUTSTANDING PRINCIPAL BALANCE OF THIS BOND CANNOT BE DETERMINED BY REFERENCE TO THE FACE OF THIS BOND. Advances by the Owner of this Bond shall, upon presentation of this Bond to the Trustee (or while the Trustee holds this Bond in its custody on behalf of the Owner), be noted on the Schedule of Drawings attached to this Bond, but failure to so note such Advance shall not nullify the effectiveness of any such advance by the Owner.

Each Advance made under this Drawdown Bond will be considered a Series 2015C Sub-Series Bond (each a "Series 2015C Sub-Series Bond"), will be separately certificated as a Series 2015C Sub-

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Series Bond, and will be numbered consecutively from SUBRA-1 upward on the books and records of the Trustee.

The principal of and interest on this Drawdown Bond shall be payable in lawful money of the United States of America by check or draft of the Trustee mailed by first-class mail to the Owners of the Series 2015C Sub-Series Bonds (as defined below) issued hereunder at their addresses appearing on the records of the Trustee; provided, however, that the payment to any Owner of the Series 2015C Sub-Series Bonds shall, upon written request of such Owner, be transmitted by the Trustee by wire transfer or other means requested in writing by the Owner.

This Bond is one of an authorized series of Bonds of the Issuer designated California Home Finance Authority PACE Program Limited Obligation Improvement Bonds, Series 2015C, issued in an unlimited aggregate principal amount (except as otherwise specified in the Indenture) (the “**Series 2015C Bonds**”), for the purpose of providing funds to finance or refinance the cost of Qualifying Improvements (as defined in the hereinafter referred to Indenture).

This Bond is issued under and pursuant to the Trust Indenture dated as of [Dated Date], between the Issuer and Zions First National Bank (the “**Trustee**”) (as amended and supplemented from time to time, the “**Indenture**”), and the Bond Act (as that term is defined in the Indenture). Reference is made to the Indenture and the Bond Act for a full statement of their respective terms.

The Indenture authorized three separate series of drawdown bonds to be issued thereunder, designated Series 2015A, Series 2015B and Series 2015C. Sub-Series Bonds may be issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond, and the Series 2015C Drawdown Bond. The Sub-Series Bonds issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond and the Series 2015C Drawdown Bond, are collectively referred to herein as the “**Sub-Series Bonds.**”

Defined Terms.

The following capitalized terms, as used in this Bond, shall have the meanings specified below unless the context otherwise shall require. All other capitalized terms used herein and not otherwise defined herein have the respective meanings accorded such terms in the Indenture, which is hereby incorporated herein by reference.

“**Advance**” means each payment by the Purchaser of a portion of the purchase price of this Drawdown Bond in accordance with the terms of the Purchase Agreement. “**Advanced**” means that an Advance has been made.

“**Escrow Agent**” means [Cortland Capital Market Services LLC], as Escrow Agent under the Purchase Agreement, and any successor or replacement appointed by the Issuer.

“**Interest Payment Date**” means with respect to each Series 2015C Sub-Series Bond, each March 2 and September 2, commencing on the March 2 or September 2 specified in the applicable Funding Notice and Requisition.

“**Minimum Transfer Amount**” means \$100,000.

“**Principal Payment Date**” means with respect to each Series 2015C Sub-Series Bond, each September 2, commencing on the September 2 specified in the applicable Funding Notice and Requisition.

“Program Administration Agreement” means the Third Party Administration Agreement, dated as of _____, between the Issuer and the Program Administrator.

“Program Administrator” means Ygrene Energy Fund California, LLC, as Program Administrator under the Program Administration Agreement, and any successor or replacement appointed by the Issuer under the Program Administration Agreement or such other Person as is appointed by the Issuer, either on its own initiative or at the request of the then-current Program Administrator, to perform all or some of the functions of the Program Administrator under this Indenture and/or the Purchase Agreement.

“Purchaser” means Ygrene Energy Fund, Inc. (together with any successor thereto or replacement thereof appointed by the Issuer under the Purchase Agreement).

“Purchase Agreement” means the Bond Purchase and Draw-Down Agreement, dated as of [Dated Date], among the Issuer, the Trustee, the Program Administrator, the Escrow Agent and the Purchaser.

General.

THIS BOND DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE ISSUER, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THIS INDENTURE. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2015 BONDS, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THIS INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THE SERIES 2015 BONDS. THE ISSUANCE OF THE SERIES 2015 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Each Series 2015C Sub-Series Bond is a “Limited Obligation Improvement Bond” pursuant to section 8769 of the Bond Act and is payable solely from and secured solely by the Assessment or Assessments securing such Bond and the other collateral purported to be pledged and assigned therefore under the Indenture. Notwithstanding any other provision of the Indenture, neither the Issuer nor any member or associate member of the Issuer is obligated to advance available surplus funds from the Issuer treasury or the treasury of any member or associate member of the Issuer to cure any deficiency in the Revenue Fund.

The Series 2015C Bonds are issuable as one fully registered Drawdown Bond in an unlimited aggregate principal amount (except as otherwise specified in the Indenture); however, the principal amount due hereon shall be only such amount as has been drawn down by the Issuer. Each Advance made under this Drawdown Bond will be considered a Series 2015C Sub-Series Bond and will be numbered consecutively from SUBRC-1 upward on the books and records of the Trustee. The Issuer, the Trustee, and any other person may treat the person in whose name this Drawdown Bond and any Series 2015C Sub-Series Bond is registered on the books of registry as the Owner hereof or thereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not such Bond be overdue, and no person shall be affected by notice to the contrary.

Exhibit A

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Interest Rates.

(a) General. The Series 2015C Bonds shall bear interest on the outstanding principal amount, from time to time, at the interest rate determined and payable in the following manner.

(v) Each Advance and the corresponding Series 2015C Sub-Series Bond shall have its own interest rate associated with it. On each date that an Advance is made hereunder, the interest rate on the amount Advanced shall be determined by the Program Administrator and computed on the basis of a year of [365 or 366] days, as applicable, for the actual number of days elapsed. The Program Administrator shall provide to the Trustee and the Purchaser the interest rate and maturity date applicable to each Advance and corresponding Series 2015C Sub-Series Bond in the Funding Notice and Requisition. Absent manifest error, the determination of the interest rate by the Program Administrator shall be conclusive and binding upon the Owners, the Purchaser, the Issuer and the Trustee. The interest rate established for each Advance shall be fixed for the entire term that the Assessment Contract or Assessment Contracts associated with the draw are in effect.

(vi) The amount of interest payable on each Interest Payment Date shall be the amount of interest accrued on the outstanding balance of the aggregate Advances made from the preceding Interest Payment Date to, but not including, the Interest Payment Date on which interest is being paid; provided that the amount of interest payable on the first Interest Payment Date for any Advance shall be the amount of interest accrued on the outstanding balance of such Advance from the Interest Accrual Date specified by the Program Administrator for such Advance in the applicable Funding Notice and Requisition to, but not including, such Interest Payment Date. The Program Administrator shall calculate the amount of interest due on each Interest Payment Date and shall provide written notice of such amount, together with a breakdown of the amount applicable to each Series 2015C Sub-Series Bond, to the Trustee at least five (5) Business Days prior to such Interest Payment Date.

(b) Usury. The Issuer intends to conform strictly to the usury laws applicable to the Indenture and the Series 2015C Bonds, and all agreements made in connection with the Indenture, the Series 2015C Bonds and the Bond Documents are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid to the Owners as interest or the amounts paid for the use of money Advanced or to be Advanced hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of the Indenture, the Series 2015C Bonds or the other Bond Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Owners shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Owners, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Issuer.

Principal Payments. Principal of the Series 2015C Bonds shall be payable on each Principal Payment Date and upon redemption thereof. The amount of principal payable on each Principal Payment Date shall be (i) the amount of principal scheduled to be collected by the Issuer from all of the annual Assessment payments made from the preceding Principal Payment Date to, but not including, the Principal Payment Date on which principal is being paid and (ii) upon redemption of any of the Series 2015C Bonds, the principal amount being redeemed. The Program Administrator shall calculate the

amount of principal due on each Principal Payment Date and shall provide written notice of such amount, together with a breakdown of the amount applicable to each Series 2015C Sub-Series Bond, to the Trustee at least five (5) Business Days prior to such Principal Payment Date.

Security.

(e) Pursuant to the provisions of the Purchase Agreement and the Indenture, at least one (1) Business Day prior to the date when such funds will be Advanced hereunder, the Program Administrator shall provide a Funding Notice and Requisition to the Trustee, which shall contain (1) the date of the Advance, (2) the amount of the Advance, (3) the Identifying Number or Identifying Numbers of the Assessment Contract or Assessment Contracts associated with the Advance, (4) the interest rate applicable to the Advance and the corresponding Series 2015C Sub-Series Bond, (5) the amount of the associated total Assessment or Assessments and (6) the schedule of the annual Assessment payments due under the related Assessment Contract or Assessment Contracts (collectively, the "Collateral Information"). A separate Funding Notice and Requisition shall be submitted with respect to each Advance.

(f) The Assessment Contract or Assessment Contracts, the related Assessment or Assessments, the Pledged Revenues, the funds in any segregated account of the Revenue Fund established pursuant to Section 6.05 of the Indenture, and the proceeds of the foregoing, are hereinafter collectively referred to as the "Matching Collateral" for such Series 2015C Sub-Series Bond.

(c) THE MATCHING COLLATERAL FOR ANY SERIES 2015C SUB-SERIES BOND WILL CONTINUE TO BE THE MATCHING COLLATERAL FOR SUCH SERIES 2015C SUB-SERIES BOND UPON ANY TRANSFER OR EXCHANGE OF SUCH SERIES 2015C SUB-SERIES BOND, AND SUCH SERIES 2015C SUB-SERIES BOND SHALL HAVE NO LIEN ON, AND NO RIGHT TO PAYMENT FROM, ANY OTHER COLLATERAL HELD HEREUNDER. NO PORTION OF THE MATCHING COLLATERAL FOR ANY SERIES 2015C SUB-SERIES BOND MAY BE TRANSFERRED TO ANY OTHER SERIES 2015C SUB-SERIES BOND.

Registration and Transfer.

A Series 2015C Sub-Series Bond may be transferred in whole by any Owner, or pledged in whole by any Owner as collateral for a loan, only as follows:

(a) to any subsidiary of the Owner, any Affiliate of the Owner, any entity arising out of any merger or consolidation of the Owner, or a trustee in bankruptcy of the Owner;

(b) to any "accredited investor" (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) or any "qualified institutional buyer" (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended);

(c) to any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any "accredited investor" or "qualified institutional buyer," each as defined in clause (b) above, or on its own behalf); or

(d) to any trust or custodial arrangement each of the beneficial owners of which, or owners of certificates issued thereby, is required to be an "accredited investor" or "qualified institutional buyer" (as defined in clause (b) above).

BY ITS ACQUISITION HEREOF, THE OWNER OF THIS BOND (A) REPRESENTS THAT IT IS AN ENTITY DESCRIBED IN THE PRECEDING PARAGRAPH, (B) AGREES THAT IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SERIES 2015C SUB-SERIES BOND EXCEPT AS PROVIDED IN THE INDENTURE, AND (C) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM ANY SERIES 2015C SUB-SERIES BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

Any transfer (but not a pledge as collateral for a loan) of a Series 2015C Sub-Series Bond described in clauses (b), (c) or (d) above shall be conditioned upon delivery by the proposed transferee to the Trustee of an investor letter in substantially the form set forth in Exhibit E to the Indenture; provided that once a particular entity has delivered such an investor letter in connection with a purchase of Series 2015C Bonds, it shall not be required to deliver another investor letter in connection with a subsequent purchase of Series 2015C Bonds.

No Series 2015C Sub-Series Bond may be transferred unless:

(i) the Outstanding principal amount of such Series 2015C Sub-Series Bond equals or exceeds the Minimum Transfer Amount; or

(ii) such Series 2015C Sub-Series Bond is being transferred to a single investor meeting the requirements of paragraph (d) above simultaneously with the transfer to such investor of other Sub-Series Bonds, and the aggregate Outstanding principal amount of all of such Sub-Series Bonds being transferred equals or exceeds the Minimum Transfer Amount; or

(iii) the transferee already owns Sub-Series Bonds the aggregate Outstanding principal amount of which equals or exceeds the Minimum Transfer Amount prior to such transfer.

The provisions of this paragraph shall not apply to a pledge of a Series 2015C Sub-Series Bond in whole by any Owner as collateral for a loan. Any Series 2015C Sub-Series Bond may be pledged in whole by any Owner as collateral for a loan regardless of the Outstanding principal amount of the Series 2015C Sub-Series Bond.

Mandatory Redemption.

(a) Each Series 2015C Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in part on each Principal Payment Date, after and to the extent that the Trustee receives the annual Assessment payment for the related Assessment or Assessments, at a redemption price equal to the principal amount paid on the related Assessment or Assessments in accordance with the payment schedule for the related Assessment or Assessments, together with accrued interest to the date of redemption. Prior to any such redemption, the Program Administrator will have provided to the Trustee the applicable information described in the preceding sentence. The Trustee shall thereupon note on its books the portion of the Series 2015C Sub-Series Bond that has been redeemed.

(b) Each Series 2015C Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in whole or in part on any Interest Payment Date, after and to the extent that the Trustee receives a prepayment of a related Assessment, at a redemption price equal to the principal amount paid on the Assessment being prepaid, together with accrued interest to the date of redemption and a redemption premium equal to a percentage of the principal amount of the 2014C Sub-Series Bond to be redeemed, such percentage to be equal to the prepayment premium percentage specified in the related Assessment Contract or Assessment Contracts. Prior to any such redemption, the Program Administrator shall provide to the Trustee the applicable Collateral Information related to such

prepayment. The Trustee shall thereupon (i) note on its books the portion of the Series 2015C Sub-Series Bond that has been redeemed or that the Series 2015C Sub-Series Bond has been redeemed in full and (ii) if the redemption is in full, cancel such Series 2015C Sub-Series Bond.

Optional Redemption.

Each Series 2015C Sub-Series Bond shall be subject to optional redemption, at the written direction to the Trustee from the Purchaser, from any source of funds, in whole but not in part, at any time without premium, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption. Prior to any such redemption, the Purchaser shall provide to the Trustee immediately available funds sufficient to pay the redemption price, and the Program Administrator acting on behalf of the Issuer, shall provide to the Trustee the Collateral Information related to such Series 2015C Sub-Series Bond to be redeemed. The Trustee shall thereupon (i) note on its books that the Series 2015C Sub-Series Bond has been redeemed in full, and (ii) cancel such Series 2015C Sub-Series Bond.

Enforcement. Only the Owner of each Series 2015C Sub-Series Bond shall have the right to direct the Trustee to enforce the provisions of its Series 2015C Sub-Series Bond or the Indenture or to institute any action to enforce the covenants herein or therein related to such Series 2015C Sub-Series Bond, or to take any action with respect to any Event of Default under the Indenture related to such Series 2015C Sub-Series Bond, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

Discharge. The Indenture prescribes the manner in which it may be discharged and after which the Series 2015 Bonds shall be deemed to be paid and no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of registration and exchange of Bonds and of such payment.

Modifications. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

This Drawdown Bond shall not be valid or obligatory for any purpose until it shall have been signed on behalf of the Issuer and such signature attested, by the officer, and in the manner, provided in the Indenture, and authenticated by a duly authorized officer of the Trustee.

It is hereby certified and recited that all conditions, acts and things required by the statutes of the State or by the Bond Act or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Drawdown Bond exist, have happened and have been performed and that the issue of the Series 2015C Bonds is within every debt and other limit prescribed by said statutes.

In the event of any inconsistency between the provisions of this Drawdown Bond and the provisions of the Indenture, the provisions of the Indenture shall control.

IN WITNESS WHEREOF, the CALIFORNIA HOME FINANCE AUTHORITY has caused this Bond to be executed in its name by the manual or facsimile signature of its Executive Director, and attested by the manual or facsimile signature of its Secretary.

CALIFORNIA HOME FINANCE AUTHORITY

Exhibit A

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By: _____
Executive Director

Attest: _____
Secretary

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Indenture and issued under the provisions of the within mentioned Indenture.

ZIONS FIRST NATIONAL BANK, as Trustee

By: _____
Authorized Officer

Date of Authentication: _____

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bonds in the books kept by the Trustee for the registration thereof, with full power of substitution in the premises.

Date: _____

SOCIAL SECURITY NUMBER OR
FEDERAL IDENTIFICATION
NUMBER OF ASSIGNEE

NOTICE: The signature of this assignment must correspond with the name as it appears upon the within Bond in every particulate, or any change whatever.

[Form of Abbreviations]

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to the applicable laws or regulations.

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with the right of survivorship and not as tenants in common

UNIFORM TRANS MIN ACT - _____ Custodian for _____ (Cust.) (Minor) under Uniform Transfers to Minors Act of _____ (State).

Additional abbreviations may also be used though not in the above list.

Name and address of assignee for payment and notice purposes

Notice: _____

Payment: _____

Date: _____

Assignee: _____

By: _____

Title: _____

SCHEDULE A

SCHEDULE OF DRAWINGS

Date of Draw

Amount of Draw

SCHEDULE B
SCHEDULE OF TRANSFERS

Date of Transfer

Series 2015C Sub-Series Bond Transferred

EXHIBIT B
FORMS OF SUB-SERIES BONDS

[text begins on following page]

EXHIBIT B-1

FORM OF SERIES 2015A SUB-SERIES BOND

[to be used with 20 year Assessment Contracts]

SUBJECT TO THE EXCEPTIONS SET FORTH IN SECTION 3.10 OF THE INDENTURE (HEREINAFTER DEFINED), THE PURCHASER OF THIS BOND MUST BE AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AND WILL BE REQUIRED TO EXECUTE AND DELIVER AN INVESTMENT LETTER THAT WILL, AMONG OTHER THINGS RESTRICT TRANSFER OF THIS BOND.

**CALIFORNIA HOME FINANCE AUTHORITY
PACE PROGRAM LIMITED OBLIGATION IMPROVEMENT BONDS
SERIES 2015A**

No.: SUBRA-__
Dated Date: _____, 20__
Principal Amount: \$ _____
Registered Owner: _____
Maturity Date: _____, 20__
Interest Rate: _____%

CALIFORNIA HOME FINANCE AUTHORITY (hereinafter called the "Issuer"), a public entity of the State of California, for value received hereby promises to pay (but only from the sources and as hereinafter provided) to the Registered Owner specified above, or registered assigns (the "Owner"), (i) the Principal Amount specified above on the Maturity Date specified above, or earlier as provided herein, and (ii) interest on said Principal Amount until the Principal Amount is paid or discharged, at the Interest Rate per annum specified above.

The principal of and interest on this Series 2015A Sub-Series Bond shall be payable in lawful money of the United States of America by check or draft of the Trustee mailed by first-class mail to the Owner of this Series 2015A Sub-Series Bonds at the address appearing on the records of the Trustee; provided, however, that the payment to any Owner of the Series 2015A Sub-Series Bonds shall, upon written request of such Owner, be transmitted by the Trustee by wire transfer or other means requested in writing by the Owner.

This Bond is one of an authorized series of Bonds of the Issuer designated California Home Finance Authority PACE Program Limited Obligation Improvement Bonds, Series 2015A authorized to be issued in an unlimited aggregate principal amount (except as otherwise specified in the Indenture) outstanding from time to time (the "Series 2015A Bonds"), for the purpose of providing funds to finance or refinance the cost of Qualifying Improvements (as defined in the hereinafter referred to Indenture).

The Series 2015A Bonds were issued as one fully registered Drawdown Bond (the "Drawdown Bond") in an unlimited aggregate principal amount (except as otherwise specified in the Indenture);

Exhibit B

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however, the principal amount due thereon shall be only such amount as has been drawn down by the Issuer. Each Advance made under the Drawdown Bond is considered a Series 2015A Sub-Series Bond (each a “**Series 2015A Sub-Series Bond**”), is separately certificated as a Series 2015A Sub-Series Bond, and is numbered consecutively from SUBRA-1 upward on the books and records of the Trustee. This Bond is one of the Series 2015A Sub-Series Bonds.

The Issuer, the Trustee, and any other person may treat the person in whose name this Series 2015A Sub-Series Bond is registered on the books of registry as the Owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not such Bond be overdue, and no person shall be affected by notice to the contrary.

This Series 2015A Sub-Series Bond is issued under and pursuant to the Trust Indenture dated as of [Dated Date] between the Issuer and Zions First National Bank (the “**Trustee**”) (as amended and supplemented from time to time, the “**Indenture**”), and the Bond Act (as that term is defined in the Indenture), and represents an Advance under the Drawdown Bond. Reference is made to the Indenture and the Act for a full statement of their respective terms.

The Indenture authorized three separate series of drawdown bonds to be issued thereunder, designated Series 2015A, Series 2015B and Series 2015C. Sub-Series Bonds may be issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond, and the Series 2015C Drawdown Bond. The Sub-Series Bonds issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond and the Series 2015C Drawdown Bond, are collectively referred to herein as the “**Sub-Series Bonds**.”

Defined Terms.

The following capitalized terms, as used in this Series 2015A Sub-Series Bond, shall have the meanings specified below unless the context otherwise shall require. All other capitalized terms used herein and not otherwise defined herein have the respective meanings accorded such terms in the Indenture, which is hereby incorporated herein by reference.

“**Advance**” means each payment by the Purchaser of a portion of the purchase price of the Drawdown Bond in accordance with the terms of the Purchase Agreement. “**Advanced**” means that an Advance has been made.

“**Escrow Agent**” means [Cortland Capital Market Services LLC], as Escrow Agent under the Purchase Agreement, and any successor or replacement appointed by the Issuer.

“**Interest Payment Date**” means each March 2 and September 2, commencing on [March/September] 2, 20__.

“**Minimum Transfer Amount**” means \$100,000.

“**Principal Payment Date**” means each September 2, commencing on September 2, 20__.

“**Program Administration Agreement**” means the Third Party Administration Agreement, dated as of _____, between the Issuer and the Program Administrator.

“**Program Administrator**” means Ygrene Energy Fund California, LLC, as Program Administrator under the Program Administration Agreement, and any successor or replacement appointed by the Issuer under the Program Administration Agreement or such other Person as is appointed by the

Issuer, either on its own initiative or at the request of the then-current Program Administrator, to perform all or some of the functions of the Program Administrator under this Indenture and/or the Purchase Agreement.

“Purchaser” means Ygrene Energy Fund, Inc. (together with any successor thereto or replacement thereof appointed by the Issuer under the Purchase Agreement).

“Purchase Agreement” means the Bond Purchase and Draw-Down Agreement, dated as of [Dated Date], among the Issuer, the Trustee, the Program Administrator, the Escrow Agent and the Purchaser.

General.

THIS SERIES 2015A SUB-SERIES BOND DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE ISSUER, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THIS INDENTURE. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THIS SERIES 2015A SUB-SERIES BOND, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THIS SERIES 2015A SUB-SERIES BOND. THE ISSUANCE OF THIS SERIES 2015A SUB-SERIES BOND SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Each Series 2015A Sub-Series Bond is a “Limited Obligation Improvement Bond” pursuant to section 8769 of the Bond Act and is payable solely from and secured solely by the Assessment or Assessments securing such Bond and the other collateral purported to be pledged and assigned therefore under the Indenture. Notwithstanding any other provision of the Indenture, neither the Issuer nor any member or associate member of the Issuer is obligated to advance available surplus funds from the Issuer treasury or the treasury of any member or associate member of the Issuer to cure any deficiency in the Revenue Fund.

Interest Payments.

(a) General. This Series 2015A Sub-Series Bond shall bear interest on the outstanding principal amount, from time to time, at the Interest Rate specified above, payable on each Interest Payment Date. The amount of interest payable on each Interest Payment Date shall be the amount of interest accrued on the outstanding principal amount from the preceding Interest Payment Date to, but not including, the Interest Payment Date on which interest is being paid; provided that the amount of interest payable on the first Interest Payment Date shall be the amount of interest accrued on the outstanding principal amount from the Interest Accrual Date specified by the Program Administrator in the applicable Funding Notice and Requisition to, but not including, such Interest Payment Date.

(b) Usury. The Issuer intends to conform strictly to the usury laws applicable to the indenture and the Series 2015A Bonds, and all agreements made in connection with the Indenture, the Series 2015A Bonds and the Bond Documents are expressly limited so that in no event whatsoever shall

Exhibit B

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the amount paid or agreed to be paid to the Owners as interest hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of the Indenture, the Series 2015A Bonds or the other Bond Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Owners shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Owners, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Issuer.

Principal Payments. Principal of this Series 2015A Sub-Series Bond shall be payable on each Principal Payment Date, on the Maturity Date and upon redemption thereof. The amount of principal payable on each Principal Payment Date shall be (i) the amount of principal scheduled to be collected by the Issuer from the annual Assessment payment associated with this Series 2015A Sub-Series Bond made from the preceding Principal Payment Date to, but not including, the Principal Payment Date on which principal is being paid and (ii) upon redemption of this Series 2015A Sub-Series Bond, the principal amount being redeemed.

Security.

The Assessment Contract or Assessment Contracts, the related Assessment or Assessments, the Pledged Revenues, the funds in any segregated account of the Revenue Fund established pursuant to Section 6.05 of the Indenture, and the proceeds of the foregoing, are hereinafter collectively referred to as the "**Matching Collateral**" for this Series 2015A Sub-Series Bond.

THE MATCHING COLLATERAL FOR THIS SERIES 2015A SUB-SERIES BOND WILL CONTINUE TO BE THE MATCHING COLLATERAL FOR SUCH SERIES 2015A SUB-SERIES BOND UPON ANY TRANSFER OR EXCHANGE OF THIS SERIES 2015A SUB-SERIES BOND, AND THIS SERIES 2015A SUB-SERIES BOND SHALL HAVE NO LIEN ON, AND NO RIGHT TO PAYMENT FROM, ANY OTHER COLLATERAL HELD UNDER THE INDENTURE. NO PORTION OF THE MATCHING COLLATERAL FOR ANY SERIES 2015A SUB-SERIES BOND MAY BE TRANSFERRED TO ANY OTHER SERIES 2015A SUB-SERIES BOND.

Registration and Transfer.

This Series 2015A Sub-Series Bond may be transferred in whole by any Owner, or pledged in whole by any Owner as collateral for a loan, only as follows:

(a) to any subsidiary of the Owner, any Affiliate of the Owner, any entity arising out of any merger or consolidation of the Owner, or a trustee in bankruptcy of the Owner;

(b) to any "accredited investor" (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) or any "qualified institutional buyer" (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended);

(c) to any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any "accredited investor" or "qualified institutional buyer," each as defined in clause (b) above, or on its own behalf); or

Exhibit B

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(d) to any trust or custodial arrangement each of the beneficial owners of which, or owners of certificates issued thereby, is required to be an "accredited investor" or "qualified institutional buyer" (as defined in clause (b) above).

BY ITS ACQUISITION HEREOF, THE OWNER OF THIS SERIES 2015A SUB-SERIES BOND (A) REPRESENTS THAT IT IS AN ENTITY DESCRIBED IN THE PRECEDING PARAGRAPH, (B) AGREES THAT IT WILL NOT SELL OR OTHERWISE TRANSFER THIS SERIES 2015A SUB-SERIES BOND EXCEPT AS PROVIDED IN THE INDENTURE, AND (C) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SERIES 2015A SUB-SERIES BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

Any transfer (but not a pledge as collateral for a loan) of this Series 2015A Sub-Series Bond described in clauses (b), (c) or (d) above shall be conditioned upon delivery by the proposed transferee to the Trustee of an investor letter in substantially the form set forth in Exhibit E to the Indenture; provided that once a particular entity has delivered such an investor letter in connection with a purchase of Series 2015A Bonds, it shall not be required to deliver another investor letter in connection with a subsequent purchase of Series 2015A Bonds.

This Series 2015A Sub-Series Bond may not be transferred unless:

(i) the Outstanding principal amount of this Series 2015A Sub-Series Bond equals or exceeds the Minimum Transfer Amount; or

(ii) this Series 2015A Sub-Series Bond is being transferred to a single investor meeting the requirements of paragraph (d) above simultaneously with the transfer to such investor of other Sub-Series Bonds, and the aggregate Outstanding principal amount of all of such Sub-Series Bonds being transferred equals or exceeds the Minimum Transfer Amount; or

(iii) the transferee already owns Sub-Series Bonds the aggregate Outstanding principal amount of which equals or exceeds the Minimum Transfer Amount prior to such transfer.

The provisions of this paragraph shall not apply to a pledge of this Series 2015A Sub-Series Bond in whole by any Owner as collateral for a loan. This Series 2015A Sub-Series Bond may be pledged in whole by any Owner as collateral for a loan regardless of the Outstanding principal amount of this Series 2015A Sub-Series Bond.

Mandatory Redemption.

(a) This Series 2015A Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in part on each Principal Payment Date, after and to the extent that the Trustee receives the annual Assessment payment for the related Assessment or Assessments, at a redemption price equal to the principal amount paid on the related Assessment or Assessments in accordance with the payment schedule for the related Assessment or Assessments, together with accrued interest to the date of redemption.

(b) This Series 2015A Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in whole or in part on any Interest Payment Date, after and to the extent that the Trustee receives a prepayment of a related Assessment, at a redemption price equal to the principal amount paid on the Assessment being prepaid, together with accrued interest to the date of

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redemption [and a redemption premium equal to ___% of the principal amount of this Series 2015A Sub-Series Bond to be redeemed].

Optional Redemption.

This Series 2015A Sub-Series Bond shall be subject to optional redemption, at the written direction to the Trustee from the Purchaser, from any source of funds, in whole but not in part, at any time without premium, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption. Prior to any such redemption, the Purchaser shall provide to the Trustee immediately available funds sufficient to pay the redemption price, and the Program Administrator acting on behalf of the Issuer, shall provide to the Trustee the Collateral Information related to such Series 2015A Sub-Series Bond to be redeemed.

Enforcement. Only the Owner of this Series 2015A Sub-Series Bond shall have the right to direct the Trustee to enforce the provisions of this Series 2015A Sub-Series Bond or the Indenture or to institute any action to enforce the covenants herein or therein related to this Series 2015A Sub-Series Bond, or to take any action with respect to any Event of Default under the Indenture related to this Series 2015A Sub-Series Bond, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

Discharge. The Indenture prescribes the manner in which it may be discharged and after which the Series 2015 Bonds shall be deemed to be paid and no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of registration and exchange of Bonds and of such payment.

Modifications. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

This Series 2015A Sub-Series Bond shall not be valid or obligatory for any purpose until it shall have been signed on behalf of the Issuer and such signature attested, by the officer, and in the manner, provided in the Indenture, and authenticated by a duly authorized officer of the Trustee.

It is hereby certified and recited that all conditions, acts and things required by the statutes of the State or by the Bond Act or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Series 2015A Sub-Series Bond exist, have happened and have been performed and that the issue of this Series 2015A Sub-Series Bond is within every debt and other limit prescribed by said statutes.

In the event of any inconsistency between the provisions of this Series 2015A Sub-Series Bond and the provisions of the Indenture, the provisions of the Indenture shall control.

IN WITNESS WHEREOF, the CALIFORNIA HOME FINANCE AUTHORITY has caused this Bond to be executed in its name by the manual or facsimile signature of its Executive Director, and attested by the manual or facsimile signature of its Secretary.

CALIFORNIA HOME FINANCE AUTHORITY

By: _____
Executive Director

Attest: _____
Secretary

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Indenture and issued under the provisions of the within mentioned Indenture.

ZIONS FIRST NATIONAL BANK, as Trustee

By: _____
Authorized Officer

Date of Authentication: _____

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bonds in the books kept by the Trustee for the registration thereof, with full power of substitution in the premises.

Date: _____

SOCIAL SECURITY NUMBER OR
FEDERAL IDENTIFICATION
NUMBER OF ASSIGNEE

NOTICE: The signature of this assignment must correspond with the name as it appears upon the within Bond in every particulate, or any change whatever.

[Form of Abbreviations]

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to the applicable laws or regulations.

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with the right of survivorship and not as tenants in common
- UNIFORM TRANS MIN ACT - _____ Custodian for _____ (Cust.) (Minor) under Uniform Transfers to Minors Act of _____ (State).

Additional abbreviations may also be used though not in the above list.

Name and address of assignee for payment and notice purposes

Notice: _____

Payment: _____

Date: _____

Assignee: _____

By: _____

Title: _____

EXHIBIT B-2

FORM OF SERIES 2015B SUB-SERIES BOND

[to be used with 15 year Assessment Contracts]

SUBJECT TO THE EXCEPTIONS SET FORTH IN SECTION 3.10 OF THE INDENTURE (HEREINAFTER DEFINED), THE PURCHASER OF THIS BOND MUST BE AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AND WILL BE REQUIRED TO EXECUTE AND DELIVER AN INVESTMENT LETTER THAT WILL, AMONG OTHER THINGS RESTRICT TRANSFER OF THIS BOND.

**CALIFORNIA HOME FINANCE AUTHORITY
PACE PROGRAM LIMITED OBLIGATION IMPROVEMENT BONDS
SERIES 2015B**

No.: SUBRB-____
Dated Date: _____, 20____
Principal Amount: \$ _____
Registered Owner: _____
Maturity Date: _____, 20____
Interest Rate: _____%

CALIFORNIA HOME FINANCE AUTHORITY (hereinafter called the "Issuer"), a public entity of the State of California, for value received hereby promises to pay (but only from the sources and as hereinafter provided) to the Registered Owner specified above, or registered assigns (the "Owner"), (i) the Principal Amount specified above on the Maturity Date specified above, or earlier as provided herein, and (ii) interest on said Principal Amount until the Principal Amount is paid or discharged, at the Interest Rate per annum specified above.

The principal of and interest on this Series 2015B Sub-Series Bond shall be payable in lawful money of the United States of America by check or draft of the Trustee mailed by first-class mail to the Owner of this Series 2015B Sub-Series Bonds at the address appearing on the records of the Trustee; provided, however, that the payment to any Owner of the Series 2015B Sub-Series Bonds shall, upon written request of such Owner, be transmitted by the Trustee by wire transfer or other means requested in writing by the Owner.

This Bond is one of an authorized series of Bonds of the Issuer designated California Home Finance Authority PACE Program Limited Obligation Improvement Bonds, Series 2015B authorized to be issued in an unlimited aggregate principal amount (except as otherwise specified in the Indenture) outstanding from time to time (the "Series 2015B Bonds"), for the purpose of providing funds to finance or refinance the cost of Qualifying Improvements (as defined in the hereinafter referred to Indenture).

The Series 2015B Bonds were issued as one fully registered Drawdown Bond (the "Drawdown Bond") in an unlimited aggregate principal amount (except as otherwise specified in the Indenture);

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however, the principal amount due thereon shall be only such amount as has been drawn down by the Issuer. Each Advance made under the Drawdown Bond is considered a Series 2015B Sub-Series Bond (each a “**Series 2015B Sub-Series Bond**”), is separately certificated as a Series 2015B Sub-Series Bond, and is numbered consecutively from SUBRA-1 upward on the books and records of the Trustee. This Bond is one of the Series 2015B Sub-Series Bonds.

The Issuer, the Trustee, and any other person may treat the person in whose name this Series 2015B Sub-Series Bond is registered on the books of registry as the Owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not such Bond be overdue, and no person shall be affected by notice to the contrary.

This Series 2015B Sub-Series Bond is issued under and pursuant to the Trust Indenture dated as of [Dated Date] between the Issuer and Zions First National Bank (the “**Trustee**”) (as amended and supplemented from time to time, the “**Indenture**”), and the Bond Act (as that term is defined in the Indenture), and represents an Advance under the Drawdown Bond. Reference is made to the Indenture and the Act for a full statement of their respective terms.

The Indenture authorized three separate series of drawdown bonds to be issued thereunder, designated Series 2015A, Series 2015B and Series 2015C. Sub-Series Bonds may be issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond, and the Series 2015C Drawdown Bond. The Sub-Series Bonds issued under the Series 2015B Drawdown Bond, the Series 2015B Drawdown Bond and the Series 2015C Drawdown Bond, are collectively referred to herein as the “**Sub-Series Bonds**.”

Defined Terms.

The following capitalized terms, as used in this Series 2015B Sub-Series Bond, shall have the meanings specified below unless the context otherwise shall require. All other capitalized terms used herein and not otherwise defined herein have the respective meanings accorded such terms in the Indenture, which is hereby incorporated herein by reference.

“**Advance**” means each payment by the Purchaser of a portion of the purchase price of the Drawdown Bond in accordance with the terms of the Purchase Agreement. “**Advanced**” means that an Advance has been made.

“**Escrow Agent**” means [Cortland Capital Market Services LLC], as Escrow Agent under the Purchase Agreement, and any successor or replacement appointed by the Issuer.

“**Interest Payment Date**” means each March 2 and September 2, commencing on [March/September] 2, 20__.

“**Minimum Transfer Amount**” means \$100,000.

“**Principal Payment Date**” means each September 2, commencing on September 2, 20__.

“**Program Administration Agreement**” means the Third Party Administration Agreement, dated as of _____, between the Issuer and the Program Administrator.

“**Program Administrator**” means Ygrene Energy Fund California, LLC, as Program Administrator under the Program Administration Agreement, and any successor or replacement appointed by the Issuer under the Program Administration Agreement or such other Person as is appointed by the

Issuer, either on its own initiative or at the request of the then-current Program Administrator, to perform all or some of the functions of the Program Administrator under this Indenture and/or the Purchase Agreement.

“**Purchaser**” means Ygrene Energy Fund, Inc. (together with any successor thereto or replacement thereof appointed by the Issuer under the Purchase Agreement).

“**Purchase Agreement**” means the Bond Purchase and Draw-Down Agreement, dated as of [Dated Date], among the Issuer, the Trustee, the Program Administrator, the Escrow Agent and the Purchaser.

General.

THIS SERIES 2015B SUB-SERIES BOND DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE ISSUER, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THIS INDENTURE. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THIS SERIES 2015B SUB-SERIES BOND, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THIS SERIES 2015B SUB-SERIES BOND. THE ISSUANCE OF THIS SERIES 2015B SUB-SERIES BOND SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Each Series 2015B Sub-Series Bond is a “Limited Obligation Improvement Bond” pursuant to section 8769 of the Bond Act and is payable solely from and secured solely by the Assessment or Assessments securing such Bond and the other collateral purported to be pledged and assigned therefore under the Indenture. Notwithstanding any other provision of the Indenture, neither the Issuer nor any member or associate member of the Issuer is obligated to advance available surplus funds from the Issuer treasury or the treasury of any member or associate member of the Issuer to cure any deficiency in the Revenue Fund.

Interest Payments.

(a) General. This Series 2015B Sub-Series Bond shall bear interest on the outstanding principal amount, from time to time, at the Interest Rate specified above, payable on each Interest Payment Date. The amount of interest payable on each Interest Payment Date shall be the amount of interest accrued on the outstanding principal amount from the preceding Interest Payment Date to, but not including, the Interest Payment Date on which interest is being paid; provided that the amount of interest payable on the first Interest Payment Date shall be the amount of interest accrued on the outstanding principal amount from the Interest Accrual Date specified by the Program Administrator in the applicable Funding Notice and Requisition to, but not including, such Interest Payment Date.

(b) Usury. The Issuer intends to conform strictly to the usury laws applicable to the Indenture and the Series 2015B Bonds, and all agreements made in connection with the Indenture, the Series 2015B Bonds and the Bond Documents are expressly limited so that in no event whatsoever shall

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the amount paid or agreed to be paid to the Owners as interest hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of the Indenture, the Series 2015B Bonds or the other Bond Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Owners shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Owners, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Issuer.

Principal Payments. Principal of this Series 2015B Sub-Series Bond shall be payable on each Principal Payment Date, on the Maturity Date and upon redemption thereof. The amount of principal payable on each Principal Payment Date shall be (i) the amount of principal scheduled to be collected by the Issuer from the annual Assessment payment associated with this Series 2015B Sub-Series Bond made from the preceding Principal Payment Date to, but not including, the Principal Payment Date on which principal is being paid and (ii) upon redemption of this Series 2015B Sub-Series Bond, the principal amount being redeemed.

Security.

The Assessment Contract or Assessment Contracts, the related Assessment or Assessments, the Pledged Revenues, the funds in any segregated account of the Revenue Fund established pursuant to Section 6.05 of the Indenture, and the proceeds of the foregoing, are hereinafter collectively referred to as the "Matching Collateral" for this Series 2015B Sub-Series Bond.

THE MATCHING COLLATERAL FOR THIS SERIES 2015B SUB-SERIES BOND WILL CONTINUE TO BE THE MATCHING COLLATERAL FOR SUCH SERIES 2015B SUB-SERIES BOND UPON ANY TRANSFER OR EXCHANGE OF THIS SERIES 2015B SUB-SERIES BOND, AND THIS SERIES 2015B SUB-SERIES BOND SHALL HAVE NO LIEN ON, AND NO RIGHT TO PAYMENT FROM, ANY OTHER COLLATERAL HELD UNDER THE INDENTURE. NO PORTION OF THE MATCHING COLLATERAL FOR ANY SERIES 2015B SUB-SERIES BOND MAY BE TRANSFERRED TO ANY OTHER SERIES 2015B SUB-SERIES BOND.

Registration and Transfer.

This Series 2015B Sub-Series Bond may be transferred in whole by any Owner, or pledged in whole by any Owner as collateral for a loan, only as follows:

- (a) to any subsidiary of the Owner, any Affiliate of the Owner, any entity arising out of any merger or consolidation of the Owner, or a trustee in bankruptcy of the Owner;
- (b) to any "accredited investor" (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) or any "qualified institutional buyer" (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended);
- (c) to any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any "accredited investor" or "qualified institutional buyer," each as defined in clause (b) above, or on its own behalf); or

(d) to any trust or custodial arrangement each of the beneficial owners of which, or owners of certificates issued thereby, is required to be an "accredited investor" or "qualified institutional buyer" (as defined in clause (b) above).

BY ITS ACQUISITION HEREOF, THE OWNER OF THIS SERIES 2015B SUB-SERIES BOND (A) REPRESENTS THAT IT IS AN ENTITY DESCRIBED IN THE PRECEDING PARAGRAPH, (B) AGREES THAT IT WILL NOT SELL OR OTHERWISE TRANSFER THIS SERIES 2015B SUB-SERIES BOND EXCEPT AS PROVIDED IN THE INDENTURE, AND (C) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SERIES 2015B SUB-SERIES BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

Any transfer (but not a pledge as collateral for a loan) of this Series 2015B Sub-Series Bond described in clauses (b), (c) or (d) above shall be conditioned upon delivery by the proposed transferee to the Trustee of an investor letter in substantially the form set forth in Exhibit E to the Indenture; provided that once a particular entity has delivered such an investor letter in connection with a purchase of Series 2015B Bonds, it shall not be required to deliver another investor letter in connection with a subsequent purchase of Series 2015B Bonds.

This Series 2015B Sub-Series Bond may not be transferred unless:

(i) the Outstanding principal amount of this Series 2015B Sub-Series Bond equals or exceeds the Minimum Transfer Amount; or

(ii) this Series 2015B Sub-Series Bond is being transferred to a single investor meeting the requirements of paragraph (d) above simultaneously with the transfer to such investor of other Sub-Series Bonds, and the aggregate Outstanding principal amount of all of such Sub-Series Bonds being transferred equals or exceeds the Minimum Transfer Amount; or

(iii) the transferee already owns Sub-Series Bonds the aggregate Outstanding principal amount of which equals or exceeds the Minimum Transfer Amount prior to such transfer.

The provisions of this paragraph shall not apply to a pledge of this Series 2015B Sub-Series Bond in whole by any Owner as collateral for a loan. This Series 2015B Sub-Series Bond may be pledged in whole by any Owner as collateral for a loan regardless of the Outstanding principal amount of this Series 2015B Sub-Series Bond.

Mandatory Redemption.

(a) This Series 2015B Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in part on each Principal Payment Date, after and to the extent that the Trustee receives the annual Assessment payment for the related Assessment or Assessments, at a redemption price equal to the principal amount paid on the related Assessment or Assessments in accordance with the payment schedule for the related Assessment or Assessments, together with accrued interest to the date of redemption.

(b) This Series 2015B Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in whole or in part on any Interest Payment Date, after and to the extent that the Trustee receives a prepayment of a related Assessment, at a redemption price equal to the principal amount paid on the Assessment being prepaid, together with accrued interest to the date of

redemption [and a redemption premium equal to ___% of the principal amount of this Series 2015B Sub-Series Bond to be redeemed].

Optional Redemption.

This Series 2015B Sub-Series Bond shall be subject to optional redemption, at the written direction to the Trustee from the Purchaser, from any source of funds, in whole but not in part, at any time without premium, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption. Prior to any such redemption, the Purchaser shall provide to the Trustee immediately available funds sufficient to pay the redemption price, and the Program Administrator acting on behalf of the Issuer, shall provide to the Trustee the Collateral Information related to such Series 2015B Sub-Series Bond to be redeemed.

Enforcement. Only the Owner of this Series 2015B Sub-Series Bond shall have the right to direct the Trustee to enforce the provisions of this Series 2015B Sub-Series Bond or the Indenture or to institute any action to enforce the covenants herein or therein related to this Series 2015B Sub-Series Bond, or to take any action with respect to any Event of Default under the Indenture related to this Series 2015B Sub-Series Bond, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

Discharge. The Indenture prescribes the manner in which it may be discharged and after which the Series 2015 Bonds shall be deemed to be paid and no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of registration and exchange of Bonds and of such payment.

Modifications. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

This Series 2015B Sub-Series Bond shall not be valid or obligatory for any purpose until it shall have been signed on behalf of the Issuer and such signature attested, by the officer, and in the manner, provided in the Indenture, and authenticated by a duly authorized officer of the Trustee.

It is hereby certified and recited that all conditions, acts and things required by the statutes of the State or by the Bond Act or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Series 2015B Sub-Series Bond exist, have happened and have been performed and that the issue of this Series 2015B Sub-Series Bond is within every debt and other limit prescribed by said statutes.

In the event of any inconsistency between the provisions of this Series 2015B Sub-Series Bond and the provisions of the Indenture, the provisions of the Indenture shall control.

IN WITNESS WHEREOF, the CALIFORNIA HOME FINANCE AUTHORITY has caused this Bond to be executed in its name by the manual or facsimile signature of its Executive Director, and attested by the manual or facsimile signature of its Secretary.

CALIFORNIA HOME FINANCE AUTHORITY

By: _____
Executive Director

Attest: _____
Secretary

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Indenture and issued under the provisions of the within mentioned Indenture.

ZIONS FIRST NATIONAL BANK, as Trustee

By: _____
Authorized Officer

Date of Authentication: _____

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bonds in the books kept by the Trustee for the registration thereof, with full power of substitution in the premises.

Date: _____

SOCIAL SECURITY NUMBER OR
FEDERAL IDENTIFICATION
NUMBER OF ASSIGNEE

NOTICE: The signature of this assignment must correspond with the name as it appears upon the within Bond in every particulate, or any change whatever.

[Form of Abbreviations]

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to the applicable laws or regulations.

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with the right of survivorship and not as tenants in common

UNIFORM TRANS MIN ACT - _____ Custodian for _____ (Cust.) (Minor) under
Uniform Transfers to Minors Act of _____ (State).

Additional abbreviations may also be used
though not in the above list.

Name and address of assignee for payment and notice purposes

Notice: _____

Payment: _____

Date: _____

Assignee: _____

By: _____

Title: _____

EXHIBIT B-3

FORM OF SERIES 2015C SUB-SERIES BOND

[to be used with 10 year Assessment Contracts]

SUBJECT TO THE EXCEPTIONS SET FORTH IN SECTION 3.10 OF THE INDENTURE (HEREINAFTER DEFINED), THE PURCHASER OF THIS BOND MUST BE AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AND WILL BE REQUIRED TO EXECUTE AND DELIVER AN INVESTMENT LETTER THAT WILL, AMONG OTHER THINGS RESTRICT TRANSFER OF THIS BOND.

**CALIFORNIA HOME FINANCE AUTHORITY
PACE PROGRAM LIMITED OBLIGATION IMPROVEMENT BONDS
SERIES 2015C**

No.: SUBRC-_____
Dated Date: _____, 20____
Principal Amount: \$ _____
Registered Owner: _____
Maturity Date: _____, 20____
Interest Rate: _____%

CALIFORNIA HOME FINANCE AUTHORITY (hereinafter called the "Issuer"), a public entity of the State of California, for value received hereby promises to pay (but only from the sources and as hereinafter provided) to the Registered Owner specified above, or registered assigns (the "Owner"), (i) the Principal Amount specified above on the Maturity Date specified above, or earlier as provided herein, and (ii) interest on said Principal Amount until the Principal Amount is paid or discharged, at the Interest Rate per annum specified above.

The principal of and interest on this Series 2015C Sub-Series Bond shall be payable in lawful money of the United States of America by check or draft of the Trustee mailed by first-class mail to the Owner of this Series 2015C Sub-Series Bonds at the address appearing on the records of the Trustee; provided, however, that the payment to any Owner of the Series 2015C Sub-Series Bonds shall, upon written request of such Owner, be transmitted by the Trustee by wire transfer or other means requested in writing by the Owner.

This Bond is one of an authorized series of Bonds of the Issuer designated California Home Finance Authority PACE Program Limited Obligation Improvement Bonds, Series 2015C authorized to be issued in an unlimited aggregate principal amount (except as otherwise specified in the Indenture) outstanding from time to time (the "Series 2015C Bonds"), for the purpose of providing funds to finance or refinance the cost of Qualifying Improvements (as defined in the hereinafter referred to Indenture).

The Series 2015C Bonds were issued as one fully registered Drawdown Bond (the "Drawdown Bond") in an unlimited aggregate principal amount (except as otherwise specified in the Indenture);

however, the principal amount due thereon shall be only such amount as has been drawn down by the Issuer. Each Advance made under the Drawdown Bond is considered a Series 2015C Sub-Series Bond (each a “**Series 2015C Sub-Series Bond**”), is separately certificated as a Series 2015C Sub-Series Bond, and is numbered consecutively from SUBRA-1 upward on the books and records of the Trustee. This Bond is one of the Series 2015C Sub-Series Bonds.

The Issuer, the Trustee, and any other person may treat the person in whose name this Series 2015C Sub-Series Bond is registered on the books of registry as the Owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not such Bond be overdue, and no person shall be affected by notice to the contrary.

This Series 2015C Sub-Series Bond is issued under and pursuant to the Trust Indenture dated as of [Dated Date] between the Issuer and Zions First National Bank (the “**Trustee**”) (as amended and supplemented from time to time, the “**Indenture**”), and the Bond Act (as that term is defined in the Indenture), and represents an Advance under the Drawdown Bond. Reference is made to the Indenture and the Act for a full statement of their respective terms.

The Indenture authorized three separate series of drawdown bonds to be issued thereunder, designated Series 2015A, Series 2015B and Series 2015C. Sub-Series Bonds may be issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond, and the Series 2015C Drawdown Bond. The Sub-Series Bonds issued under the Series 2015C Drawdown Bond, the Series 2015B Drawdown Bond and the Series 2015C Drawdown Bond, are collectively referred to herein as the “**Sub-Series Bonds.**”

Defined Terms.

The following capitalized terms, as used in this Series 2015C Sub-Series Bond, shall have the meanings specified below unless the context otherwise shall require. All other capitalized terms used herein and not otherwise defined herein have the respective meanings accorded such terms in the Indenture, which is hereby incorporated herein by reference.

“**Advance**” means each payment by the Purchaser of a portion of the purchase price of the Drawdown Bond in accordance with the terms of the Purchase Agreement. “**Advanced**” means that an Advance has been made.

“**Escrow Agent**” means [Cortland Capital Market Services LLC], as Escrow Agent under the Purchase Agreement, and any successor or replacement appointed by the Issuer.

“**Interest Payment Date**” means each March 2 and September 2, commencing on [March/September] 2, 20__.

“**Minimum Transfer Amount**” means \$100,000.

“**Principal Payment Date**” means each September 2, commencing on September 2, 20__.

“**Program Administration Agreement**” means the Third Party Administration Agreement, dated as of _____, between the Issuer and the Program Administrator.

“**Program Administrator**” means Ygrene Energy Fund California, LLC, as Program Administrator under the Program Administration Agreement, and any successor or replacement appointed by the Issuer under the Program Administration Agreement or such other Person as is appointed by the

Issuer, either on its own initiative or at the request of the then-current Program Administrator, to perform all or some of the functions of the Program Administrator under this Indenture and/or the Purchase Agreement.

“**Purchaser**” means Ygrene Energy Fund, Inc. (together with any successor thereto or replacement thereof appointed by the Issuer under the Purchase Agreement).

“**Purchase Agreement**” means the Bond Purchase and Draw-Down Agreement, dated as of [Dated Date], among the Issuer, the Trustee, the Program Administrator, the Escrow Agent and the Purchaser.

General.

THIS SERIES 2015C SUB-SERIES BOND DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE ISSUER, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THIS INDENTURE. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF THIS SERIES 2015C SUB-SERIES BOND, OR THE REDEMPTION PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER AND IN ACCORDANCE WITH THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE REDEMPTION PREMIUM OR INTEREST ON THIS SERIES 2015C SUB-SERIES BOND. THE ISSUANCE OF THIS SERIES 2015C SUB-SERIES BOND SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE ISSUER, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Each Series 2015C Sub-Series Bond is a “Limited Obligation Improvement Bond” pursuant to section 8769 of the Bond Act and is payable solely from and secured solely by the Assessment or Assessments securing such Bond and the other collateral purported to be pledged and assigned therefore under the Indenture. Notwithstanding any other provision of the Indenture, neither the Issuer nor any member or associate member of the Issuer is obligated to advance available surplus funds from the Issuer treasury or the treasury of any member or associate member of the Issuer to cure any deficiency in the Revenue Fund.

Interest Payments.

(a) General. This Series 2015C Sub-Series Bond shall bear interest on the outstanding principal amount, from time to time, at the Interest Rate specified above, payable on each Interest Payment Date. The amount of interest payable on each Interest Payment Date shall be the amount of interest accrued on the outstanding principal amount from the preceding Interest Payment Date to, but not including, the Interest Payment Date on which interest is being paid; provided that the amount of interest payable on the first Interest Payment Date shall be the amount of interest accrued on the outstanding principal amount from the Interest Accrual Date specified by the Program Administrator in the applicable Funding Notice and Requisition to, but not including, such Interest Payment Date.

(b) Usury. The Issuer intends to conform strictly to the usury laws applicable to the Indenture and the Series 2015C Bonds, and all agreements made in connection with the Indenture, the Series 2015C Bonds and the Bond Documents are expressly limited so that in no event whatsoever shall

the amount paid or agreed to be paid to the Owners as interest hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of the Indenture, the Series 2015C Bonds or the other Bond Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Owners shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Owners, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Issuer.

Principal Payments. Principal of this Series 2015C Sub-Series Bond shall be payable on each Principal Payment Date, on the Maturity Date and upon redemption thereof. The amount of principal payable on each Principal Payment Date shall be (i) the amount of principal scheduled to be collected by the Issuer from the annual Assessment payment associated with this Series 2015C Sub-Series Bond made from the preceding Principal Payment Date to, but not including, the Principal Payment Date on which principal is being paid and (ii) upon redemption of this Series 2015C Sub-Series Bond, the principal amount being redeemed.

Security.

The Assessment Contract or Assessment Contracts, the related Assessment or Assessments, the Pledged Revenues, the funds in any segregated account of the Revenue Fund established pursuant to Section 6.05 of the Indenture, and the proceeds of the foregoing, are hereinafter collectively referred to as the “**Matching Collateral**” for this Series 2015C Sub-Series Bond.

THE MATCHING COLLATERAL FOR THIS SERIES 2015C SUB-SERIES BOND WILL CONTINUE TO BE THE MATCHING COLLATERAL FOR SUCH SERIES 2015C SUB-SERIES BOND UPON ANY TRANSFER OR EXCHANGE OF THIS SERIES 2015C SUB-SERIES BOND, AND THIS SERIES 2015C SUB-SERIES BOND SHALL HAVE NO LIEN ON, AND NO RIGHT TO PAYMENT FROM, ANY OTHER COLLATERAL HELD UNDER THE INDENTURE. NO PORTION OF THE MATCHING COLLATERAL FOR ANY SERIES 2015C SUB-SERIES BOND MAY BE TRANSFERRED TO ANY OTHER SERIES 2015C SUB-SERIES BOND.

Registration and Transfer.

This Series 2015C Sub-Series Bond may be transferred in whole by any Owner, or pledged in whole by any Owner as collateral for a loan, only as follows:

(a) to any subsidiary of the Owner, any Affiliate of the Owner, any entity arising out of any merger or consolidation of the Owner, or a trustee in bankruptcy of the Owner;

(b) to any “accredited investor” (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) or any “qualified institutional buyer” (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended);

(c) to any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any “accredited investor” or “qualified institutional buyer,” each as defined in clause (b) above, or on its own behalf); or

Exhibit B

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(d) to any trust or custodial arrangement each of the beneficial owners of which, or owners of certificates issued thereby, is required to be an "accredited investor" or "qualified institutional buyer" (as defined in clause (b) above).

BY ITS ACQUISITION HEREOF, THE OWNER OF THIS SERIES 2015C SUB-SERIES BOND (A) REPRESENTS THAT IT IS AN ENTITY DESCRIBED IN THE PRECEDING PARAGRAPH, (B) AGREES THAT IT WILL NOT SELL OR OTHERWISE TRANSFER THIS SERIES 2015C SUB-SERIES BOND EXCEPT AS PROVIDED IN THE INDENTURE, AND (C) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SERIES 2015C SUB-SERIES BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

Any transfer (but not a pledge as collateral for a loan) of this Series 2015C Sub-Series Bond described in clauses (b), (c) or (d) above shall be conditioned upon delivery by the proposed transferee to the Trustee of an investor letter in substantially the form set forth in Exhibit E to the Indenture; provided that once a particular entity has delivered such an investor letter in connection with a purchase of Series 2015C Bonds, it shall not be required to deliver another investor letter in connection with a subsequent purchase of Series 2015C Bonds.

This Series 2015C Sub-Series Bond may not be transferred unless:

(i) the Outstanding principal amount of this Series 2015C Sub-Series Bond equals or exceeds the Minimum Transfer Amount; or

(ii) this Series 2015C Sub-Series Bond is being transferred to a single investor meeting the requirements of paragraph (d) above simultaneously with the transfer to such investor of other Sub-Series Bonds, and the aggregate Outstanding principal amount of all of such Sub-Series Bonds being transferred equals or exceeds the Minimum Transfer Amount; or

(iii) the transferee already owns Sub-Series Bonds the aggregate Outstanding principal amount of which equals or exceeds the Minimum Transfer Amount prior to such transfer.

The provisions of this paragraph shall not apply to a pledge of this Series 2015C Sub-Series Bond in whole by any Owner as collateral for a loan. This Series 2015C Sub-Series Bond may be pledged in whole by any Owner as collateral for a loan regardless of the Outstanding principal amount of this Series 2015C Sub-Series Bond.

Mandatory Redemption

(a) This Series 2015C Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in part on each Principal Payment Date, after and to the extent that the Trustee receives the annual Assessment payment for the related Assessment or Assessments, at a redemption price equal to the principal amount paid on the related Assessment or Assessments in accordance with the payment schedule for the related Assessment or Assessments, together with accrued interest to the date of redemption.

(b) This Series 2015C Sub-Series Bond shall be subject to mandatory redemption, and shall be redeemed prior to maturity, in whole or in part on any Interest Payment Date, after and to the extent that the Trustee receives a prepayment of a related Assessment, at a redemption price equal to the principal amount paid on the Assessment being prepaid, together with accrued interest to the date of

redemption [and a redemption premium equal to __% of the principal amount of this Series 2015C Sub-Series Bond to be redeemed].

Optional Redemption.

This Series 2015C Sub-Series Bond shall be subject to optional redemption, at the written direction to the Trustee from the Purchaser, from any source of funds, in whole but not in part, at any time without premium, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption. Prior to any such redemption, the Purchaser shall provide to the Trustee immediately available funds sufficient to pay the redemption price, and the Program Administrator acting on behalf of the Issuer, shall provide to the Trustee the Collateral Information related to such Series 2015C Sub-Series Bond to be redeemed.

Enforcement. Only the Owner of this Series 2015C Sub-Series Bond shall have the right to direct the Trustee to enforce the provisions of this Series 2015C Sub-Series Bond or the Indenture or to institute any action to enforce the covenants herein or therein related to this Series 2015C Sub-Series Bond, or to take any action with respect to any Event of Default under the Indenture related to this Series 2015C Sub-Series Bond, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

Discharge. The Indenture prescribes the manner in which it may be discharged and after which the Series 2015 Bonds shall be deemed to be paid and no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of registration and exchange of Bonds and of such payment.

Modifications. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

This Series 2015C Sub-Series Bond shall not be valid or obligatory for any purpose until it shall have been signed on behalf of the Issuer and such signature attested, by the officer, and in the manner, provided in the Indenture, and authenticated by a duly authorized officer of the Trustee.

It is hereby certified and recited that all conditions, acts and things required by the statutes of the State or by the Bond Act or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of this Series 2015C Sub-Series Bond exist, have happened and have been performed and that the issue of this Series 2015C Sub-Series Bond is within every debt and other limit prescribed by said statutes.

In the event of any inconsistency between the provisions of this Series 2015C Sub-Series Bond and the provisions of the Indenture, the provisions of the Indenture shall control.

IN WITNESS WHEREOF, the CALIFORNIA HOME FINANCE AUTHORITY has caused this Bond to be executed in its name by the manual or facsimile signature of its Executive Director, and attested by the manual or facsimile signature of its Secretary.

CALIFORNIA HOME FINANCE AUTHORITY

By: _____
Executive Director

Attest: _____
Secretary

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Indenture and issued under the provisions of the within mentioned Indenture.

ZIONS FIRST NATIONAL BANK, as Trustee

By: _____
Authorized Officer

Date of Authentication: _____

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bonds in the books kept by the Trustee for the registration thereof, with full power of substitution in the premises.

Date: _____

SOCIAL SECURITY NUMBER OR
FEDERAL IDENTIFICATION
NUMBER OF ASSIGNEE

NOTICE: The signature of this assignment must correspond with the name as it appears upon the within Bond in every particulate, or any change whatever.

[Form of Abbreviations]

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to the applicable laws or regulations.

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with the right of survivorship and not as tenants in common

UNIFORM TRANS MIN ACT - _____ Custodian for _____ (Cust.) (Minor) under
Uniform Transfers to Minors Act of _____ (State).

Additional abbreviations may also be used
though not in the above list.

Name and address of assignee for payment and notice purposes

Notice: _____

Payment: _____

Date: _____

Assignee: _____

By: _____

Title: _____

EXHIBIT C

FORM OF FUNDING NOTICE AND REQUISITION

California Home Finance Authority
PACE Program Limited Obligation Improvement Bonds
Series 2015A
Series 2015B
Series 2015C

Dated: _____, 20__

Drawdown Bond to which this Notice Applies:

Series 2015__

Funding Notice and Requisition No. _____

TO: **Zions First National Bank**, as Trustee (the "Trustee") under the Trust Indenture (the "Indenture"), dated as of [Dated Date] with the **California Home Finance Authority** (the "Issuer"), and [**Cortland Capital Market Services LLC**], as Escrow Agent (the "Escrow Agent") under the Bond Purchase and Draw-Down Agreement (the "Purchase Agreement"), dated as of [Dated Date], among the Issuer, the Trustee, the undersigned, as the Program Administrator, Ygrene Energy Fund Inc. and the Escrow Agent.

This Funding Notice and Requisition is made pursuant to Section 3.05(d) of the Indenture to provide the property owner that executed the Assessment Contract identified below with the funds required by such Assessment Contract. All capitalized terms used herein and not otherwise defined herein have the respective meanings accorded such terms in the Indenture.

(1) We hereby notify you that the Escrow Agent will be receiving an Advance under the Indenture as follows (the information below is collectively the "Collateral Information" required by Section 3.05(d) of the Indenture and Section 4.01(a) of the Purchase Agreement):

Date of Advance: _____

Amount of Advance: \$ _____

Identifying Number(s) of Assessment Contract(s) to which Advance applies: _____

Interest Rate on Advance and corresponding Sub-Series Bond: _____%

Interest Accrual Date for Advance and corresponding Sub-Series Bond: _____

First Interest Payment Date for Advance and corresponding Sub-Series Bond: _____

First Principal Payment Date for Advance and corresponding Sub-Series Bond: _____

Amount of total Assessment(s): \$ _____

Schedule of the annual Assessment payments due under the Assessment Contract(s):

[See Attached Schedule I]

(2) The Escrow Agent is hereby directed to apply the Advance when received as follows:

(a) Remit to the Program Administrator for payment of administrative fees and expenses of the Program: \$ _____.

(b) [Remit to the Trustee for deposit in the Reserve Fund: \$ _____.]

Exhibit C

(c) Pay the amounts indicated, to the persons or companies identified, on Schedule II attached hereto.

(3) Construction of the Qualifying Improvements applicable to this Funding Notice and Requisition has been completed to the satisfaction of the undersigned, and payment to the contractor(s) therefor is due and payable. The obligation for which such payment is requested was properly incurred and has not been the basis of a previous Advance.

YGRENE ENERGY FUND CALIFORNIA, LLC, as
Program Administrator

By: _____
Title: _____

SCHEDULE I

Schedule of Annual Assessment Payments

SCHEDULE II

Payment Instructions

EXHIBIT D

FORM OF INVESTOR LETTER

(from purchaser of Drawdown Bonds)

_____, 20__

California Home Finance Authority

Attention: Executive Director

Zions First National Bank, Trustee
550 South Hope Street, Suite 2650
Los Angeles, California 90071
Attention: Corporate Trust Department

Re: California Home Finance Authority PACE Program Limited Obligation Improvement Bonds, Series 2015__

Ladies and Gentlemen:

The above-referenced bonds (the "Series 2015__ Bonds") are being issued initially as one Drawdown Bond (the "Drawdown Bond"). Each Advance made under the Drawdown Bond is considered a Sub-Series Bond (each, a "Series 2015__ Sub-Series Bond"). The undersigned (the "Purchaser") is, on the date hereof, purchasing \$_____ in aggregate principal amount of the Drawdown Bond.

The undersigned acknowledges that the Series 2015__ Bonds were issued for the purpose of financing the cost of Qualifying Improvements (as defined in that certain Trust Indenture dated as of [Dated Date] (the "Indenture"), between the California Home Finance Authority (the "Issuer") and Zions First National Bank, as trustee (the "Trustee"). The undersigned further acknowledges that each Series __ Sub-Series Bond will be secured solely by the Matching Collateral (as defined in the Indenture), and will be not be cross-collateralized or cross-defaulted with any other Series 2015__ Sub-Series Bond.

In connection with the purchase of the Drawdown Bond by the Purchaser, the Purchaser hereby makes the following representations upon which you may rely:

1. The Purchaser has authority to purchase the Drawdown Bond and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Drawdown Bond.

2. The Purchaser is (i) an "accredited investor" (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) or a "qualified institutional buyer" (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended), (ii) a bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any "accredited investor" or

Exhibit D

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“qualified institutional buyer,” each as defined in clause (i), or on its own behalf); or (iii) a trust or custodial arrangement each of the beneficial owners of which, or owners of certificates issued thereby, is required to be an accredited investor or qualified institutional buyer. Further, the Purchaser is not a natural person and has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other debt obligations, to be able to evaluate the risks and merits of the investment represented by the Drawdown Bond.

3. The Drawdown Bond is being acquired by the Purchaser for investment and not with a view to, or for resale in connection with, any distribution of the Drawdown Bond. The Purchaser intends to sell or transfer Series 2015__ Sub-Series Bonds, strictly in accordance with the restrictions contained in and as permitted by the terms of the Indenture, which include, among other things, a restriction on the sale thereof only to institutions satisfying the requirements described in Paragraph 2, restrictions as described in Paragraph 7, and sales only in Minimum Transfer Amounts (as defined in the Indenture). The Purchaser understands that it may need to bear the risks of its investment in the Drawdown Bond and in Series 2015__ Sub-Series Bonds for an indefinite time, since any sale prior to maturity may not be possible.

4. The Purchaser understands that the Drawdown Bond and the Series 2015__ Sub-Series Bonds are not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof when issued as provided in the Indenture; and further understands that the Drawdown Bond and the Series 2015__ Sub-Series Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which is not readily marketable.

5. The Purchaser acknowledges that the Drawdown Bond and the Series 2015__ Sub-Series Bonds are limited obligations of the Issuer payable solely from the Assessments and other collateral as defined and as provided in and subject to the terms and conditions of the Indenture, and the Issuer shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Issuer for all or any portion of the principal of and interest on the Drawdown Bond or the Series 2015__ Sub-Series Bonds. The Purchaser acknowledges that each Series 2015__ Sub-Series Bond is secured solely by the Matching Collateral for such Series 2015__ Sub-Series Bond.

6. The Purchaser acknowledges that the Issuer has not prepared an offering document with respect to the Drawdown Bond or the Series 2015__ Sub-Series Bonds, and that the Drawdown Bond and the Series 2015__ Sub-Series Bonds are not and will not be rated.

7. Subject to the exceptions set forth in Section 3.10 of the Indenture, the Purchaser acknowledges that it has the right to sell and transfer a Series 2015__ Sub-Series Bond in whole but not in part, in accordance with the terms of the Indenture, subject to the delivery to the Trustee of an investor’s letter from the transferee in substantially the form attached to the Indenture as Exhibit E, with no revisions except as may be approved in writing by the Issuer.

8. Capitalized terms used herein and not otherwise defined have the meanings given to such terms in the Indenture.

Very truly yours,

YGRENE ENERGY FUND, INC.

By: _____
Signature

Printed Name

Title

EXHIBIT E

FORM OF INVESTOR LETTER

(from investors in Sub-Series Bonds)

_____, 20__

California Home Finance Authority

Attention: Executive Director

Zions First National Bank, Trustee
550 South Hope Street, Suite 2650
Los Angeles, California 90071
Attention: Corporate Trust Department

Re: California Home Finance Authority PACE Program Limited Obligation Improvement
Bonds, Series 2015__

Ladies and Gentlemen:

The above-referenced bonds (the "**Series 2015__ Bonds**") were issued initially as one Drawdown Bond (the "**Drawdown Bond**"). Each Advance made under the Drawdown Bond is considered a Series 2015__ Sub-Series Bond (each, a "**Series 2015__ Sub-Series Bond**"). The undersigned (the "**Investor**") is, on the date hereof, purchasing \$_____ in aggregate principal amount of Series 2015__ Sub-Series Bonds.

The undersigned acknowledges that the Series 2015__ Bonds were issued for the purpose of financing or refinancing the cost of Qualifying Improvements (as defined in that certain Trust Indenture dated as of [Dated Date] (the "**Indenture**"), between the California Home Finance Authority (the "**Issuer**") and Zions First National Bank, as trustee (the "**Trustee**"). The undersigned further acknowledges that each Series 2015__ Sub-Series Bond will be secured solely by the Matching Collateral (as defined below), and will be not be cross-collateralized or cross-defaulted with any other Series 2015__ Sub-Series Bond.

The Indenture authorized three separate series of drawdown bonds to be issued thereunder, designated Series 2015A, Series 2015B and Series 2015C. Sub-Series Bonds may be issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond, and the Series 2015B Drawdown Bond. The Sub-Series Bonds issued under the Series 2015A Drawdown Bond, the Series 2015B Drawdown Bond and the Series 2015C Drawdown Bond, are collectively referred to herein as the "**Sub-Series Bonds**."

The Investor may make future purchases of Sub-Series Bonds in varying amounts. This letter will apply to the purchase being made on the date hereof and to all such future purchases of Sub-Series Bonds without delivery of separate letters for each future purchase.

Exhibit E

-1-

In connection with the purchase of the Series 2015__ Sub-Series Bonds by the Investor, the Investor hereby makes the following representations upon which you may rely:

1. The Investor has authority to purchase the Series 2015__ Sub-Series Bonds and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Series 2015__ Sub-Series Bonds.

2. The Investor is (i) an "accredited investor" (as defined in Regulation D promulgated under the Securities Act of 1933, as amended) or a "qualified institutional buyer" (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended), (ii) a bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any "accredited investor" or "qualified institutional buyer," each as defined in clause (i), or on its own behalf); or (iii) a trust or custodial arrangement each of the beneficial owners of which, or owners of certificates issued thereby, is required to be an accredited investor or qualified institutional buyer. Further, the Investor is not a natural person and has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other debt obligations, to be able to evaluate the risks and merits of the investment represented by the Series 2015__ Sub-Series Bonds.

3. The Series 2015__ Sub-Series Bonds will be acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Series __ Sub-Series Bonds, and the Investor does not intend at this time to dispose of any Series 2015__ Sub-Series Bond, except in accordance with the restrictions contained in and as permitted by the terms of the Indenture. The Investor understands that it has the right to transfer a Series 2015__ Sub-Series Bond only in whole but not in part. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

4. The Investor understands that the Series 2015__ Sub-Series Bonds are not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof when issued as provided in the Indenture; and further understands that the Series 2015__ Sub-Series Bonds (a) are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which is not readily marketable.

5. The Investor acknowledges that the Series 2015__ Sub-Series Bonds are limited obligations of the Issuer payable solely from the Assessments and other collateral as defined and as provided in and subject to the terms and conditions of the Indenture, and the Issuer shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Issuer for all or any portion of the principal of and interest on the Series 2015__ Sub-Series Bonds.

6. Each Series 2015__ Sub-Series Bond now or hereafter acquired by the Investor is secured solely by the Matching Collateral for such Series 2015__ Sub-Series Bond, as further described in the Indenture (the "Matching Collateral"). A listing of the Matching Collateral for each Series 2015__ Sub-Series Bond is kept in the books and records of the Trustee, and the Investor acknowledges that it will receive written confirmation from the Trustee listing the Matching Collateral for each Series 2015__ Sub-Series Bond prior to such Series 2015__ Sub-Series Bond being acquired by the Investor. The Investor understands that payments of principal of and interest on each Series 2015__ Sub-Series Bond acquired by the Investor will be made solely from the Matching Collateral for each such Series 2015__ Sub-Series Bond, and that no Series 2015__ Sub-Series Bond has a lien on, or right to payment from, the Matching Collateral for any other Sub-Series Bond.

7. The Investor acknowledges that the Issuer has not prepared an offering document with

Exhibit E

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respect to the Series 2015__ Bonds or any Series 2015__ Sub-Series Bond, and that the Series 2015 Bonds and the Series 2015__ Sub-Series Bonds are not and will not be rated.

8. Subject to the exceptions set forth in Section 3.10 of the Indenture, the Investor acknowledges that it has the right to sell and transfer a Series 2015__ Sub-Series Bond in whole but not in part, in accordance with the terms of the Indenture, subject to the delivery to the Trustee of an investor's letter from the transferee in substantially the form attached to the Indenture as Exhibit E, with no revisions except as may be approved in writing by the Issuer.

Capitalized terms used herein and not otherwise defined have the meanings given to such terms in the Indenture.

Very truly yours,

By:

Signature

Printed Name

Title

EXHIBIT F
TRUSTEE FEES

CALIFORNIA HOME FINANCE AUTHORITY

ZIONS FIRST NATIONAL BANK,
as Trustee

YGRENE ENERGY FUND, INC., as Purchaser

YGRENE ENERGY FUND CALIFORNIA, LLC, as Program Administrator

and

[CORTLAND CAPITAL MARKET SERVICES LLC], as Escrow Agent

BOND PURCHASE AND DRAW-DOWN AGREEMENT

Dated as of [Dated Date]

Relating to

California Home Finance Authority
PACE Program Limited Obligation Improvement Bonds
Series 2015A
Series 2015B
Series 2015C

- (iv) any headings preceding the texts of the several Articles and Sections of this Purchase Agreement, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall neither constitute a part of this Purchase Agreement nor affect its meaning, construction or effect;
 - (v) any certificates, letters or opinions required to be given pursuant to this Purchase Agreement shall mean a signed document attesting to or acknowledging the circumstances, representations, opinions of law or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Purchase Agreement; and
 - (vi) in any case where the date of payment of interest on or principal of the Series 2015 Bonds, or the date fixed for redemption of any portion of the Series 2015 Bonds, shall not be a Business Day, then payment of interest or principal need not be made on such date but may be made on the next Business Day with the same force and effect as if made on the date of payment or the date fixed for redemption or purchase, and no interest shall accrue for the period after such date.
- (b) All conditions and requirements of this Purchase Agreement relating to the obligations of the Purchaser to advance the proceeds of the Series 2015 Bonds are for the sole benefit of the Purchaser and no other person or party (including, without limitation, the general contractor or subcontractors and materialmen engaged in the construction of the Qualifying Improvements) shall have the right to rely on the satisfaction of such conditions and requirements by the applicable Property Owner as a condition precedent to the Purchaser making any advance of the purchase price of the Series 2015 Bonds, or for any other purpose.

ARTICLE II.

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.01 REPRESENTATIONS OF AND WARRANTIES BY THE ISSUER. The Issuer represents and warrants (and it will be a condition of the obligation of the Purchaser to purchase and accept delivery of the Series 2015 Bonds that the Issuer so represent and warrant as of the Closing Date, and such representations and warranties will be deemed to be applicable as of the date of each Advance) that:

- (a) The Issuer is a joint powers agency organized and existing under the laws of the State.
- (b) The Issuer has full power and authority (1) to enter into this Purchase Agreement, (2) to issue and deliver the Series 2015 Bonds as provided herein, (3) to use the proceeds of the Series 2015 Bonds to provide funds to finance or refinance the cost of Qualifying Improvements for use by property owners desiring such improvements and who are willing to enter into Assessment Contracts with the Issuer and agree to the imposition of Assessments, and (4) to carry out the transactions contemplated to be carried out by the Issuer in this Purchase Agreement, the Indenture and the Program Administration Agreement.
- (c) By official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized and approved the execution and delivery of, and the

performance by the Issuer of the obligations on its part contained in, the Indenture, the Series 2015 Bonds, this Purchase Agreement and the other Bond Documents to which the Issuer is a party and has duly authorized and approved the consummation of the transactions contemplated to be carried out by the Issuer by this Purchase Agreement.

- (d) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Indenture, the Series 2015 Bonds and the Program Administration Agreement have been obtained and the Issuer has taken all actions and obtained all approvals required by the Act.
- (e) The Issuer is not in breach of or in default under any applicable law or administrative regulation of the State or the United States that would materially impair the performance of its obligations under the Indenture, this Purchase Agreement, the Series 2015 Bonds and the Program Administration Agreement, and to acknowledge compliance with the provisions of each thereof, will not conflict with or constitute a material breach or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject.
- (f) The Issuer has not received notice of any action, suit, proceeding, inquiry or investigation, at law or in equity, before any court, public board or body, pending, and to its knowledge, no such action or suit is threatened, against the Issuer, affecting its existence or the titles of its officials to their respective offices or seeking to prohibit, restrain or enjoin the financing or sale, issuance or delivery of the Series 2015 Bonds or the pledge of the Transferred Property to pay the principal of and interest on the Series 2015 Bonds, or in any way contesting or affecting the validity or enforceability of the Series 2015 Bonds, the Indenture, this Purchase Agreement or the Program Administration Agreement, or contesting the powers of the Issuer or any authority for the issuance of the Series 2015 Bonds, the execution and delivery of this Purchase Agreement, the Indenture or the Program Administration Agreement, wherein an unfavorable decision, ruling or finding would materially and adversely affect the validity or enforceability of the Series 2015 Bonds, the Indenture, the Program Administration Agreement or this Purchase Agreement against the Issuer.
- (g) The Series 2015 Bonds, when issued and delivered in accordance with the Indenture and sold to the Purchaser as provided herein, will be the validly issued and outstanding binding obligations of the Issuer enforceable in accordance with their respective terms (except as limited by bankruptcy, insolvency or other similar laws affecting the rights and remedies of creditors generally and general principles of equity) and entitled to the benefits of the Indenture as provided therein.
- (h) This Purchase Agreement, the Indenture and the Program Administration Agreement are valid and binding obligations of the Issuer enforceable in accordance with their respective terms (except as limited by bankruptcy, insolvency or other similar laws affecting the rights and remedies of creditors generally and general principles of equity).
- (i) Each Assessment Contract, when entered into, will be a valid and binding agreement of the Issuer. Each Assessment will be secured by a valid and

enforceable lien on the respective property coequal to and independent of the lien for general ad valorem taxes.

- (j) The Resolution of Intention, the Resolution Confirming Report, the Resolution of Issuance, the Indenture, this Purchase Agreement, and the Series 2015 Bonds have been validated by the Superior Court of the State of California, County of Sacramento, by final judgment entered on _____ 2015.

Section 2.02 COVENANTS OF THE ISSUER. The Issuer covenants with the parties hereto for the benefit of the parties hereto and any subsequent Owners from time to time of the Series 2015 Bonds as follows:

- (a) The Issuer will take all action and do all things which it is authorized by law to take and do (1) in order to perform and observe all covenants and agreements on its part to be performed and observed under this Purchase Agreement, the Series 2015 Bonds, the Indenture, the Program Administration Agreement and the other Bond Documents to which the Issuer is a party and (2) in order to provide for and to assure payment of the principal of, and the premium, if any, and interest on, the Series 2015 Bonds when due in accordance with the terms thereof.
- (b) The Issuer will not knowingly and, without the prior written consent of the parties hereto, create, assume or suffer to exist any assignment, pledge, security interest or other lien, encumbrance or charge on the Pledged Revenues, other than as permitted or required under the Bond Documents.
- (c) The Issuer will execute, acknowledge, when appropriate, and deliver from time to time at the request of the Purchaser or the Program Administrator, but at the sole cost and expense of the Program Administrator, such instruments and documents as in the opinion of the Purchaser or the Program Administrator, are reasonably necessary or desirable to carry out the intent and purpose of this Purchase Agreement.
- (d) The Issuer will promptly pay or cause to be paid the principal of and interest on the Series 2015 Bonds as such payments become due, subject to the limitations contained in the Indenture.
- (e) The Issuer will promptly notify the Purchaser, the Program Administrator, the Escrow Agent and the Trustee of the occurrence of any Event of Default of which it has actual knowledge.
- (f) So long as any Series 2015 Bonds are Outstanding, the Issuer shall employ the services of a Program Administrator. At the request of the then-current Program Administrator or if the then-current Program Administrator is unable to perform its duties as Program Administrator under this Purchase Agreement or the Indenture, the Issuer shall employ another Person to perform the services of the Program Administrator under this Purchase Agreement and the Indenture. The Issuer may appoint multiple Persons to perform the duties of the Program Administrator under this Purchase Agreement and the Indenture, each such Person performing those duties as are specified in the appointment of the Issuer.

Section 2.03 REPRESENTATIONS OF AND WARRANTIES BY THE PROGRAM ADMINISTRATOR. The Program Administrator represents and warrants (and it will be a condition of the obligation of the Purchaser to purchase and accept delivery of the Series 2015 Bonds that the Program Administrator so represent and warrant as of the Closing Date, and such representations and warranties will be deemed to be applicable as of the date of each Advance):

- (a) The Program Administrator (1) is a limited liability company duly organized and validly existing and in good standing under the laws of the State of California and is duly authorized to do business in the State of California, (2) has full power and authority to execute and deliver the Bond Documents to which the Program Administrator is a party and to enter into and perform its obligations under the Bond Documents to which the Program Administrator is a party, (3) has duly authorized, executed and delivered the Bond Documents to which the Program Administrator is a party and (4) represents and warrants that such documents constitute legal, valid and binding obligations of the Program Administrator enforceable against the Program Administrator in accordance with their respective terms, subject to bankruptcy, insolvency or other similar laws affecting the rights and remedies of creditors generally and general principles of equity).
- (b) The representations and warranties contained in the Program Administration Agreement are true in all material respects, and by this reference such representations and warranties are incorporated into this Purchase Agreement.
- (c) The Program Administrator has not received notice of any pending action, suit or proceeding at law or in equity, by or before any Governmental Authority or, to the knowledge of the Program Administrator, threatened against or affecting the Program Administrator or the Program or which may materially adversely affect the financial condition of the Program Administrator, or involving the validity or enforceability of any of the Bond Documents, and, to the Program Administrator's knowledge, neither is the Program Administrator in default with respect to any order, writ, judgment, decree or demand of any court or any Governmental Authority.
- (d) Neither the execution and delivery of the Bond Documents to which the Program Administrator is a party, the consummation of the transactions contemplated thereby nor the fulfillment of or compliance with the provisions thereof will (1) result in a breach of or conflict with any term or provision in the operating agreement of the Program Administrator, (2) require consent under (which has not been heretofore received) or result in a breach of or default under any credit agreement, indenture, purchase agreement, mortgage, deed of trust, commitment, guaranty or other agreement or instrument to which the Program Administrator is a party or by which the Program Administrator or any property of the Program Administrator may be bound or affected, or (3) conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any government, governmental instrumentality or court (domestic or foreign) having jurisdiction over the Program Administrator or any of the property of the Program Administrator.
- (e) No approval or other action by any Governmental Authority is required in connection with the execution or performance by the Program Administrator of the Bond Documents to which the Program Administrator is a party.

- (f) There is no default under any Bond Document to which the Program Administrator is a party and no event has occurred and is continuing which with notice or the passage of time or both would constitute a default under any Bond Document to which the Program Administrator is a party.
- (g) All proceeds of the Drawdown Bonds Advanced to or upon the order of the Program Administrator pursuant to a Funding Notice and Requisition as provided for in the Indenture shall be used solely for paying or refinancing the costs of Qualifying Improvements.
- (h) The Program Administrator will comply with all of the terms, conditions and provisions of the Program Administration Agreement and the Program Report, including the applicable Program Handbooks referenced therein, and all the terms, conditions and provisions of the Indenture applicable to it. All of the representations, certifications, statements of reasonable expectation and covenants made by the Program Administrator in the Program Administration Agreement are hereby declared to be for the benefit of, among others, the Issuer and the Purchaser and are incorporated by this reference as though set forth in full herein.

Section 2.04 COVENANTS OF THE PROGRAM ADMINISTRATOR. The Program Administrator covenants and agrees with the parties hereto for the benefit of the parties hereto and any subsequent Owners from time to time of the Series 2015 Bonds as follows:

- (a) The Program Administrator will promptly notify the Issuer, the Trustee, the Escrow Agent and the Purchaser of the occurrence of any Event of Default of which it has knowledge.
- (b) The Advances of the purchase price of the Series 2015 Bonds pursuant to the terms hereof and of the Indenture and the disbursements to be made by the Escrow Agent of such Advances pursuant to a Funding Notice and Requisition(s) furnished by the Program Administrator to the Escrow Agent and the Trustee, as provided for in the Indenture and otherwise in accordance with the terms hereof and of the Indenture, will, if made in accordance with such Funding Notice and Requisition(s), be applied upon the order of the Program Administrator solely for the purposes set forth herein and in the Indenture.
- (c) The Program Administrator will administer the Program on behalf of the Issuer in accordance with the provisions of the Program Administration Agreement, the Program Report, including the applicable Program Handbooks referenced therein, this Purchase Agreement and the Indenture, and the covenants set forth in the Program Administration Agreement will be observed, such covenants being incorporated into this Purchase Agreement by reference.
- (d) The Program Administrator will not take or omit to take any action which will in any way cause the proceeds of the Series 2015 Bonds to be applied in a manner other than as provided in the Indenture.
- (e) Prior to the Closing, the Program Administrator will obtain all governmental consents, approvals, orders or authorizations of any Governmental Authority that constitute a condition precedent to the performance of its obligations under this Purchase Agreement,

the Program Administration Agreement, the Program Report, including the applicable Program Handbooks referenced therein, and the Indenture.

- (f) The Program Administrator agrees that if it shall no longer be the Program Administrator under the Program Administration Agreement, the Program Administrator shall assign to the successor Program Administrator thereunder all of the Program Administrator's rights and obligations pursuant to the Program Administration Agreement and the other Bond Documents, and in that connection will execute and deliver all instruments and documents necessary or appropriate therefor. Any transfer or assignment of such rights and obligations shall be pursuant to the terms and provisions of the Program Administration Agreement.
- (g) The Program Administrator agrees that if Ygrene Energy Fund, Inc. shall no longer be the Purchaser under this Purchase Agreement, the Issuer has the absolute right, in its sole discretion, to terminate and replace Ygrene Energy Fund California, LLC as the Program Administrator under the Bond Documents; provided that nothing in this paragraph (g) shall affect the rights of the Purchaser to (1) sell or otherwise dispose of any Sub-Series Bonds in accordance with the Indenture, (2) continue to own any Sub-Series Bonds owned by it prior to such sale or assignment, with all the rights appertaining thereto, and (3) purchase from the successor Purchaser additional Sub-Series Bonds which the successor Purchaser acquires by making Advances hereunder.

Section 2.05 REPRESENTATIONS AND COVENANTS OF THE PURCHASER. The Purchaser represents to and covenants and agrees with the parties hereto, as follows:

- (a) The Purchaser (1) is a corporation duly organized and validly existing and in good standing under the laws of the state of Delaware and is duly authorized to do business in the state of California, (2) has full power and authority to execute and deliver the Bond Documents to which the Purchaser is a party and to enter into and perform its obligations under the Bond Documents to which the Purchaser is a party, (3) has duly authorized, executed and delivered the Bond Documents to which the Purchaser is a party and (4) represents and warrants that such documents constitute legal, valid and binding obligations of the Purchaser enforceable against the Purchaser in accordance with their respective terms, subject to bankruptcy, insolvency or other similar laws affecting the rights and remedies of creditors generally and general principles of equity)
- (b) The Purchaser has not received notice of any pending action, suit or proceeding at law or in equity, by or before any Governmental Authority or, to the knowledge of the Purchaser, threatened against or affecting the Purchaser or the Program or which may materially adversely affect the financial condition of the Purchaser, or involving the validity or enforceability of any of the Bond Documents, and, to the Purchaser's knowledge, neither is the Purchaser in default with respect to any order, writ, judgment, decree or demand of any court or any Governmental Authority.
- (c) Neither the execution and delivery of the Bond Documents to which the Purchaser is a party, the consummation of the transactions contemplated thereby nor the fulfillment of or compliance with the provisions thereof will (1) result in a breach of or conflict with any term or provision in the articles of incorporation of the Purchaser, (2) require consent under (which has not been heretofore received) or result in a breach of or default under any credit agreement, indenture, purchase agreement, mortgage, deed of trust,

commitment, guaranty or other agreement or instrument to which the Purchaser is a party or by which the Purchaser or any property of the Purchaser may be bound or affected, or (3) conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any government, governmental instrumentality or court (domestic or foreign) having jurisdiction over the Purchaser or any of the property of the Purchaser.

- (d) No approval or other action by any Governmental Authority is required in connection with the execution or performance by the Purchaser of the Bond Documents to which the Purchaser is a party.
- (e) There is no default under any Bond Document to which the Purchaser is a party and no event has occurred and is continuing which with notice or the passage of time or both would constitute a default under any Bond Document to which the Purchaser is a party.
- (f) The Purchaser has had an opportunity to make such investigations and has had access to such information with respect to the Issuer and its affairs and condition, financial or otherwise, the Program, the Bond Documents and the Act, which the Purchaser has deemed necessary in connection with and as a basis for the purchase of the Series 2015 Bonds, and any and all information relating to the Issuer, the Program and the Series 2015 Bonds which the Purchaser has requested has been provided to the Purchaser.
- (g) The Drawdown Bonds are being acquired by the Purchaser for investment and not with a view to, or for resale in connection with, any distribution of the Drawdown Bonds not exempt under Section 4(2) of the Securities Act of 1933, as amended. The Purchaser intends to sell or transfer Sub-Series Bonds, strictly in accordance with the restrictions contained in and as permitted by the terms of the Indenture and in compliance with all applicable Securities Laws. The Purchaser understands that it may need to bear the risks of its investment in the Drawdown Bonds and in Sub-Series Bonds for an indefinite time, since any sale prior to maturity may not be possible.
- (h) The Purchaser agrees to notify the Issuer and the Trustee (with a copy to the Program Administrator) in writing of any proposed transfer or sale of any Sub-Series Bond. Any transfer, assignment or resale of a Sub-Series Bond shall be pursuant to the terms and provisions of the Indenture.
- (i) The Purchaser agrees that if it shall no longer be the Purchaser under this Purchase Agreement, the Purchaser shall assign to the successor Purchaser hereunder all of the Purchaser's rights pursuant to this Purchase Agreement and the other Bond Documents, and in that connection will execute and deliver all instruments and documents necessary or appropriate therefor. Notwithstanding the foregoing, the Purchaser shall retain the rights to (1) sell or otherwise dispose of Sub-Series Bonds in accordance with the Indenture, (2) continue to own any Sub-Series Bonds owned by it prior to such assignment, with all the rights appertaining thereto, and (3) purchase from the successor Purchaser additional Sub-Series Bonds which the successor Purchaser acquires by making Advances hereunder. The Purchaser understands that the Series 2015 Bonds are limited obligations of the Issuer payable solely from the sources specified in the Indenture.
- (j) The Purchaser has received from the Program Administrator and the Issuer whatever information requested with respect to the Program Administrator and the Program which

the Purchaser deems, as a reasonable investor, important in reaching its investment decision to purchase the Series 2015 Bonds. The Purchaser acknowledges that neither the Issuer nor its counsel, nor Bond Counsel, have made any investigation or inquiry with respect to the affairs or condition, financial or otherwise, of the Program Administrator, the financial viability of the Program, or the adequacy or sufficiency of the security for the Series 2015 Bonds, and that the Issuer, its counsel and Bond Counsel do not make any representation to the Purchaser with respect to the adequacy, sufficiency or accuracy of any financial statements or other information provided to the Purchaser by the Program Administrator, or with respect to the ability of the Program Administrator to fulfill its obligations with respect to the transactions contemplated in connection therewith. The Purchaser has made an independent evaluation of the factors listed above without reliance upon any evaluation or investigation by the Issuer or its agents as to any of them.

- (k) The Purchaser agrees that if Ygrene Energy Fund California, LLC shall no longer be the Program Administrator under the Program Administration Agreement, the Issuer has the absolute right, in its sole discretion, to terminate and replace Ygrene Energy Fund, Inc. as the Purchaser hereunder and under the other Bond Documents; provided that nothing in this paragraph (k) shall affect the rights of the Purchaser to (1) sell or otherwise dispose of any Sub-Series Bonds in accordance with the Indenture, (2) continue to own any Sub-Series Bonds owned by it prior to such sale or assignment, with all the rights appertaining thereto, and (3) purchase from the successor Purchaser additional Sub-Series Bonds which the successor Purchaser acquires by making Advances hereunder.

Section 2.06 REPRESENTATIONS OF AND WARRANTIES BY THE ESCROW AGENT. The Escrow Agent represents and warrants (and it will be a condition of the obligation of the Purchaser to purchase and accept delivery of the Series 2015 Bonds that the Escrow Agent so represent and warrant as of the Closing Date, and such representations and warranties will be deemed to be applicable as of the date of each Advance):

- (a) The Escrow Agent (1) is a limited liability company duly organized and validly existing and in good standing under the laws of the State of Delaware and is duly authorized to do business in the State of California, (2) has full power and authority to execute and deliver the Bond Documents to which the Escrow Agent is a party and to enter into and perform its obligations under the Bond Documents to which the Escrow Agent is a party, (3) has duly authorized, executed and delivered the Bond Documents to which the Escrow Agent is a party and (4) represents and warrants that such documents constitute legal, valid and binding obligations of the Escrow Agent enforceable against the Escrow Agent in accordance with their respective terms (except as limited by bankruptcy, insolvency or other similar laws affecting the rights and remedies of creditors generally and general principles of equity);
- (b) The Escrow Agent has not received notice of any pending action, suit or proceeding at law or in equity, by or before any Governmental Authority or, to the knowledge of the Escrow Agent, threatened against or affecting the Escrow Agent or the Program or which may materially adversely affect the financial condition of the Escrow Agent, or involving the validity or enforceability of any of the Bond Documents, and, to the Escrow Agent's knowledge, neither is the Escrow Agent in default with respect to any order, writ, judgment, decree or demand of any court or any Governmental Authority.

- (c) Neither the execution and delivery of the Bond Documents to which the Escrow Agent is a party, the consummation of the transactions contemplated thereby nor the fulfillment of or compliance with the provisions thereof will (1) result in a breach of or conflict with any term or provision in the operating agreement of the Escrow Agent, (2) require consent under (which has not been heretofore received) or result in a breach of or default under any credit agreement, indenture, purchase agreement, mortgage, deed of trust, commitment, guaranty or other agreement or instrument to which the Escrow Agent is a party or by which the Escrow Agent or any property of the Escrow Agent may be bound or affected, or (3) conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any government, governmental instrumentality or court (domestic or foreign) having jurisdiction over the Escrow Agent or any of the property of the Escrow Agent.
- (d) No approval or other action by any Governmental Authority is required in connection with the execution or performance by the Escrow Agent of the Bond Documents to which the Escrow Agent is a party.
- (e) To the best of the Escrow Agent's knowledge, there is no default under any Bond Document to which the Escrow Agent is a party and no event has occurred and is continuing which with notice or the passage of time or both would constitute a default under any Bond Document to which the Escrow Agent is a party.

Section 2.07 COVENANTS OF THE ESCROW AGENT. The Escrow Agent covenants and agrees with the parties hereto for the benefit of the parties hereto and any subsequent Owners from time to time of the Series 2015 Bonds as follows:

- (a) The Escrow Agent will promptly notify the Issuer, the Trustee, the Program Administrator and the Purchaser of the occurrence of any Event of Default hereunder of which it has knowledge.
- (b) The Advances of the purchase price of the Series 2015 Bonds pursuant to the terms hereof and of the Indenture will be applied by the Escrow Agent solely as set forth in the Funding Notice and Requisition(s) furnished by the Program Administrator as provided for in the Indenture and this Purchase Agreement.
- (c) The Escrow Agent will not take or omit to take any action which will in any way cause the proceeds of the Series 2015 Bonds to be applied in a manner other than as provided in the Funding Notice and Requisition(s).
- (d) The Escrow Agent will not permit any of the Sub-Series Bonds to be encumbered or transferred except as provided in this Purchase Agreement.
- (e) The Escrow Agent agrees that if it shall no longer be the Escrow Agent hereunder, the Escrow Agent shall assign to the successor Escrow Agent hereunder all of the Escrow Agent's rights and obligations hereunder and the other Bond Documents, and in that connection will execute and deliver all instruments and documents necessary or appropriate therefor. Any transfer or assignment of such rights and obligations shall be pursuant to the terms and provisions of this Purchase Agreement.

ARTICLE III.

PURCHASE AND SALE OF THE SERIES 2015 BONDS

Section 3.01 CLOSING DATE. The Series 2015 Bonds shall be issuable initially as three Drawdown Bonds registered in the name of the Purchaser, as follows:

- (a) a Series 2015A Drawdown Bond, which shall be drawn in connection with Assessment Contracts having a 20-year Assessment term;
- (b) a Series 2015B Drawdown Bond, which shall be drawn in connection with Assessment Contracts having a 15-year Assessment term; and
- (c) a Series 2015C Drawdown Bond, which shall be drawn in connection with Assessment Contracts having a 10-year Assessment term;

however, the principal amount due on each Drawdown Bond shall be only such amount as has been drawn down by the Issuer on such Drawdown Bond.

Upon satisfaction of the conditions set forth in Section 3.02 hereof, the Purchaser will purchase each Drawdown Bond from the Issuer, and the Issuer will sell each Drawdown Bond to the Purchaser, on the Closing Date. Each Advance made under each Drawdown Bond will be considered a Sub-Series Bond of that series. The Purchaser shall fund the purchase price of each Drawdown Bond and each Sub-Series Bond by making Advances.

The initial Advance for the purchase of the Series 2015A Drawdown Bond shall be in the aggregate amount of \$ _____ (but may consist of one or more Advances to evidence each property receiving funding) and will be made by the Purchaser [and received by the Escrow Agent] [to finance or refinance certain Qualifying Improvements under the related Assessment Contracts] on the Closing Date. The initial Advance for the purchase of the Series 2015B Drawdown Bond shall be in the aggregate amount of \$ _____ (but may consist of one or more Advances to evidence each property receiving funding) and will be made by the Purchaser [and received by the Escrow Agent] [to finance or refinance certain Qualifying Improvements under the related Assessment Contracts] on the Closing Date. The initial Advance for the purchase of the Series 2015C Drawdown Bond shall be in the aggregate amount of \$ _____ (but may consist of one or more Advances to evidence each property receiving funding) and will be made by the Purchaser [and received by the Escrow Agent] [to finance or refinance certain Qualifying Improvements under the related Assessment Contracts] on the Closing Date.

Provided that the conditions to Advances contained in this Purchase Agreement are either satisfied or waived by the Purchaser, the balance of the purchase price of each Drawdown Bond shall be Advanced in subsequent installments by the Purchaser. The purchase price for each Drawdown Bond shall be the sum of (1) the principal amount of the Initial Advance (which shall be payable in immediately available funds), together with (2) all additional principal amounts of subsequent Advances by the Purchaser from time to time under such Drawdown Bond pursuant to the terms of this Purchase Agreement and the Indenture.

Section 3.02 CONDITIONS PRECEDENT TO THE CLOSING AND THE INITIAL ADVANCE. The Purchaser shall not be obligated hereunder to purchase a Drawdown Bond and to make the Initial Advance under such Drawdown Bond on the Closing Date unless the following conditions and those conditions set forth in Section 4.01 and 4.02 hereof shall have been satisfied or waived by the Purchaser:

- (a) The Purchaser shall have received (and approved as appropriate):
- (i) the executed Drawdown Bond and executed counterparts of the Indenture and all of the Bond Documents;
 - (ii) certified copies of the Resolution of Intention, the Resolution Confirming Report and the Resolution of Issuance;
 - (iii) an opinion of counsel to the Issuer in form and substance satisfactory to the Purchaser and its counsel;
 - (iv) an opinion of Bond Counsel substantially to the effect that: (1) the Series 2015 Bonds and the Bond Documents constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms (except as limited by bankruptcy, insolvency or other similar laws affecting the rights and remedies of creditors generally and general principles of equity); (2) each Assessment Contract will create a valid Assessment secured by a valid lien on the applicable property coequal to and independent of the lien for general ad valorem taxes; (3) it is not necessary to qualify the Indenture under the provisions of the Trust Indenture Act of 1939; and (4) the Series 2015 Bonds were validated by the Superior Court of the State of California, County of Sacramento, by final judgment issued on _____, 2015, with no appeal taken therefrom within thirty days following such final judgment, and such validation judgment is conclusive under California law as to all matters adjudicated or that could have been adjudicated against the Issuer and all parties affected thereby;
 - (v) a certificate of one or more officers of the Issuer and such other proof as the Purchaser shall require to establish the truth of the representations and warranties set forth in Section 2.01 hereof;
 - (vi) a certificate of one or more officers of the Program Administrator and such other proof as the Purchaser shall require to establish the truth of the representations set forth in Section 2.03 hereof;
 - (vii) a certificate of one or more officers of the Trustee to the effect that: (1) the Trustee is a national banking association, duly organized, validly existing and in good standing under the laws of the United States and is authorized to exercise trust powers in the state of California; (2) the Trustee has full corporate power and authority, including all necessary trust powers, to execute and deliver this Purchase Agreement and the Indenture, to perform its obligations thereunder and to authenticate the Drawdown Bonds and the Sub-Series Bonds; (3) this Purchase Agreement and the Indenture constitute legal, valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their respective terms (except as limited by bankruptcy, insolvency or other similar laws affecting the rights and remedies of creditors generally and general principles of equity); and (4) the Drawdown Bonds and any Sub-Series Bonds issued on the Closing Date have been duly authenticated by an authorized officer of the Trustee;
 - (viii) a certificate of one or more officers of the Program Administrator to the effect that: (1) the Program Administrator is a limited liability company duly organized and validly existing and in good standing under the laws of the State of California and is duly

authorized to do business in the State of California; (2) the Program Administrator has full power and authority to execute and deliver the Bond Documents to which the Program Administrator is a party and to enter into and perform its obligations under the Bond Documents to which the Program Administrator is a party; and (3) the Program Administrator has duly authorized, executed and delivered the Bond Documents to which the Program Administrator is a party and such documents constitute legal, valid and binding obligations of the Program Administrator enforceable against the Program Administrator in accordance with their respective terms (except as limited by bankruptcy, insolvency or other similar laws affecting the rights and remedies of creditors generally and general principles of equity);

- (ix) a certificate of one or more officers of the Escrow Agent to the effect that: (1) the Escrow Agent is a limited liability company duly organized and validly existing and in good standing under the laws of the State of Delaware; (2) the Escrow Agent has full power and authority to execute and deliver the Bond Documents to which the Escrow Agent is a party and to enter into and perform its obligations under the Bond Documents to which the Escrow Agent is a party; and (3) the Escrow Agent has duly authorized, executed and delivered the Bond Documents to which the Escrow Agent is a party and such documents constitute legal, valid and binding obligations of the Escrow Agent enforceable against the Escrow Agent in accordance with their respective terms, (except as limited by bankruptcy, insolvency or other similar laws affecting the rights and remedies of creditors generally and general principles of equity); and
- (x) such other or further documents, data or information with respect to the Program as the Purchaser or its counsel may reasonably request.
- (b) The Issuer and its counsel shall have received (and approved as appropriate) or waived its right to receive:
 - (i) a fully executed copy of the limited liability company operating agreement of the Program Administrator, and a certificate of good standing in the State of the Program Administrator;
 - (ii) a certificate of good standing in Delaware of the Escrow Agent;
 - (iii) a certified copy of the articles of incorporation of the Purchaser, and a certificate of good standing in the State of the Purchaser;
 - (iv) a resolution (or unanimous written consent) of the appropriate governing body of the Program Administrator approving and authorizing the execution and delivery of the Bond Documents to which the Program Administrator is a party, in form and substance satisfactory to the Issuer;
 - (v) a resolution (or unanimous written consent) of the appropriate governing body of the Purchaser approving and authorizing the execution and delivery of the Bond Documents to which the Purchaser is a party, in form and substance satisfactory to the Issuer; and
 - (vi) such other or further documents, data or information with respect to the Program Administrator and the Purchaser as the Issuer or its counsel may reasonably request.

ARTICLE IV.

ADVANCES BY THE PURCHASER; CONDITIONS PRECEDENT

Section 4.01 ADVANCES.

- (a) The Purchaser will make (1) the Initial Advances in immediately available funds upon satisfaction of the conditions set forth in Section 3.02 and Section 4.02 hereof and (2) future Advances upon the conditions set forth in Section 4.03 hereof. All such future Advances shall be funded to the Escrow Agent for disbursement in an amount equal to the amount indicated in the corresponding Funding Notice and Requisition. The Purchaser shall provide notice to the Program Administrator at least two (2) Business Days prior to the date when such funds will be Advanced, and the Program Administrator shall provide to the Trustee and the Escrow Agent a Funding Notice and Requisition at least one (1) Business Day prior to the date when such funds will be Advanced. Each Funding Notice and Requisition shall be substantially in the form attached to the Indenture as Exhibit C. No Owner of a Sub-Series Bond other than the Purchaser shall be required or permitted to make Advances hereunder.
- (b) Each Advance shall constitute a corresponding payment of the purchase price of a portion of the applicable Drawdown Bond.
- (c) Upon receipt by the Escrow Agent of an Advance in accordance with the terms of hereof and of Section 3.05(d) of the Indenture:
 - (i) the Escrow Agent shall notify the Trustee in writing (which may be by fax or email) that it has received the funds and that the Trustee may issue, authenticate and register a Sub-Series Bond corresponding to such Advance, in accordance with the information contained in the corresponding Funding Notice and Requisition;
 - (ii) the Trustee shall assign a SUBR_ -__ number to the Sub-Series Bond, issue, authenticate and register the Sub-Series Bond, and notify the Escrow Agent and the Program Administrator in writing (which may be by fax or email) that the Sub-Series Bond has been issued;
 - (iii) the Trustee shall note on the applicable Drawdown Bond that an additional principal amount of the Drawdown Bond, equal to the amount of the Advance (and the principal amount of the corresponding Sub-Series Bond), has been purchased; and
 - (iv) the Escrow Agent shall disburse the Advance to or upon the order of the Program Administrator (or, at the direction of the Program Administrator, to such contractors or subcontractors as specified in writing to the Escrow Agent by the Program Administrator).
- (d) The Program Administrator shall provide to the Trustee the Collateral Information, as well as all information required under Sections 4.01 and 4.02 of the Indenture upon redemption of any Sub-Series Bond, and on the basis of such information the Trustee shall maintain, or cause to be maintained, complete and accurate records regarding:

- (i) the Collateral Information and the SUBR_ ___ number of the related Sub-Series Bond, and the amount and the corresponding increase in the Outstanding principal amount of the Drawdown Bond that has been purchased; and
- (ii) the redemption of all or any portion of each Sub-Series Bond, the date of such redemption and the corresponding decrease in the Outstanding principal amount of the Drawdown Bond that has been redeemed.

Section 4.02 CONDITIONS PRECEDENT TO THE INITIAL ADVANCE. The Purchaser shall not be obligated to make the Initial Advance of the purchase price of a Drawdown Bond unless the representations and warranties of the Issuer and the Program Administrator made in Article II hereof shall be true and correct, there shall be no Event of Default under any of the Bond Documents and there shall be no event that with the passage of time or the giving of notice or both would become an Event of Default.

Section 4.03 CONDITIONS PRECEDENT TO ADVANCES AFTER THE INITIAL ADVANCE.

- (a) Prior to the making of any Advance of the purchase price of a Drawdown Bond after the Initial Advance, the Purchaser shall provide notice to the Program Administrator at least two (2) Business Days prior to the date when such funds will be Advanced, and the Program Administrator shall provide to the Trustee and the Escrow Agent a Funding Notice and Requisition at least one (1) Business Day prior to the date when such funds will be Advanced. Each Funding Notice and Requisition shall be substantially in the form of Exhibit C to the Indenture.
- (b) The Purchaser's obligation to make any Advance of the purchase price of a Drawdown Bond after the Initial Advance thereunder shall be further subject to satisfaction of the following conditions:
 - (i) The representations and warranties of the Issuer, the Escrow Agent and the Program Administrator made in Article II hereof shall be true and correct as of the date of the Advance, there shall be no Event of Default under any of the Bond Documents and there shall be no event that with the passage of time or the giving of notice or both would become an Event of Default;
 - (ii) The following shall be true and correct on the date of the Advance, and the Program Administrator shall be deemed to have certified to the Purchaser on the date of the Advance, that: (A) the Program Administrator has approved the property owner for financing under the Program in compliance with the Program Administration Agreement and the Program Report, including the applicable Program Handbooks referenced therein; (B) the property owner and the Issuer have entered into an Assessment Contract or Assessment Contracts related to the Qualifying Improvements; (C) construction of the Qualifying Improvements applicable to such Advance has been completed to the satisfaction of the Program Administrator; (D) payment to the property owner or the contractor(s) therefor is due and payable; and (E) a Notice of Assessment has been recorded against the property securing the Assessment;
 - (iii) None of the documents or opinions referred to in Section 3.02 hereof have been amended, modified or withdrawn;

- (iv) No litigation shall be pending or threatened relating to the Qualifying Improvements, the Assessment or the Series 2015 Bonds; and
- (v) All mechanics liens and other encumbrances relating to the Qualifying Improvements have been, or by application of the Advance will be, removed and terminated.

Section 4.04 EFFECT OF ADVANCES.

- (a) The Purchaser shall have no obligations or liability whatsoever with respect to the construction or installation of Qualifying Improvements other than to purchase the Drawdown Bonds in the manner as herein and in the Indenture provided.
- (b) The Issuer shall have no obligations or liability whatsoever with respect to the construction or installation of Qualifying Improvements other than to provide for the financing thereof by issuing the Series 2015 Bonds as provided in the Indenture.
- (c) It is acknowledged and understood by the parties hereto that: (1) the Program Administrator has the sole responsibility for taking and approving applications from Property Owners under the Program, and for ensuring the qualification of the Property Owners and the Qualifying Improvements to meet the requirements of the Act and the Program Report, including the applicable Program Handbooks referenced therein, all as further set forth in Section 5.01 hereof and in the Program Administration Agreement, (2) that any Advance made hereunder by the Purchaser is made solely in reliance upon the Program Administrator's determinations of the matters described in clause (1), and (3) neither the Purchaser, the Escrow Agent, the Issuer nor the Trustee makes any representation as to such matters.

Section 4.05 ADVANCES UPON EVENTS OF DEFAULT. In the event of the occurrence and during the continuance of any Event of Default hereunder or under the Indenture, the Purchaser shall have the right, but not the obligation, to make any further Advances hereunder.

ARTICLE V.

ASSESSMENT CONTRACTS

Section 5.01 EXECUTION OF ASSESSMENT CONTRACTS.

- (a) Pursuant to the provisions of the Program Administration Agreement and the Program Report, including the applicable Program Handbooks referenced therein, the Program Administrator shall take applications from Property Owners desiring to participate in the Program, perform all required underwriting procedures and approve or disapprove applications.
- (b) Upon providing the Issuer with written evidence of the Program Administrator's approval of a Property Owner's application, the Issuer shall enter into an Assessment Contract, substantially in the form attached hereto as Exhibit B, with such Property Owner.
- (c) [Upon completion of construction of the Qualifying Improvements and the making of the related Advance hereunder by the Purchaser, the Program Administrator, on behalf of the Issuer, shall record a Notice of Assessment against the related property in the official

records of the applicable County, which Notice of Assessment will include the Assessment Contract and any Addendum or Addenda thereto, which, together, shall indicate the final Assessment amount and the schedule of annual Assessment payments due.]

Section 5.02 TRACKING OF ASSESSMENT CONTRACTS. The Program Administrator shall hold in its custody, for the sole benefit of the Owner of the associated Sub-Series Bond, each Assessment Contract (including the related Addendum).

ARTICLE VI.

REMITTANCE OF ASSESSMENT PAYMENTS; REDEMPTION OF SERIES 2015 BONDS

Section 6.01 REMITTANCE OF ASSESSMENT PAYMENTS.

- (a) The Issuer, or the Program Administrator acting on behalf of the Issuer, shall remit or cause to be remitted to the Trustee, immediately upon receipt, for deposit into the Revenue Fund, all Pledged Revenues received by or for the Issuer. Each such remittance shall be accompanied by Assessment Identification Instructions as provided in Section 2.03 of the Indenture. In the event the Issuer enters into an agreement with the Tax Collector to have all Pledged Revenues sent directly to the Trustee as received, the Trustee shall notify the Program Administrator each time it receives Pledged Revenues, and the Program Administrator shall immediately send to the Trustee the Assessment Identification Instructions related to such Pledged Revenues.
- (b) The Program Administrator shall calculate the amount of interest due on each Interest Payment Date and shall provide written notice of such amount, together with a breakdown of the amount applicable to each Sub-Series Bond, to the Trustee at least five (5) Business Days prior to such Interest Payment Date.
- (c) The Program Administrator shall calculate the amount of principal due on each Principal Payment Date and shall provide written notice of such amount, together with a breakdown of the amount applicable to each Sub-Series Bond, to the Trustee at least five (5) Business Days prior to such Principal Payment Date.

Section 6.02 PROCEDURES UPON REDEMPTION.

- (a) Prior to any mandatory redemption of a portion of a Sub-Series Bond from moneys received from the regularly scheduled annual payment of the related Assessment or Assessments pursuant to Section 4.01(a) of the Indenture, the Program Administrator shall provide to the Trustee the information related to the payment as described in Section 4.01(a) of the Indenture. Such information shall be provided as part of the written instructions specified in Section 6.01 hereof. The Trustee shall thereupon note on its books the portion of the Sub-Series Bond that has been redeemed.
- (b) Prior to any mandatory redemption of a Sub-Series Bond from moneys received from the prepayment of a related Assessment pursuant to Section 4.01(b) of the Indenture, the Program Administrator shall provide to the Trustee the applicable Collateral Information related to the prepayment. The Trustee shall thereupon (i) note on its books the portion of the Sub-Series Bond that has been redeemed or that the Sub-Series Bond has been

redeemed in full and (ii) if the redemption is in full, cancel such Sub-Series Bond. The Program Administrator shall, within thirty (30) days after such redemption, provide the Tax Collector's office with the information that the applicable Assessment has been paid in part or in full and shall deliver any documents required by the Tax Collector's office to evidence such payment.

- (c) In order to call a Sub-Series Bond for optional redemption pursuant to Section 4.02 of the Indenture, the Purchaser shall provide to the Trustee immediately available funds sufficient to pay the redemption price, and the Program Administrator shall provide to the Trustee the Collateral Information related to such Sub-Series Bond to be redeemed. The Trustee shall thereupon note on its books that the Sub-Series Bond has been redeemed in full, and transfer the Matching Collateral for such Sub-Series Bond to the trustee for the bonds that refunded such Sub-Series Bond.

ARTICLE VII.

REVENUE FUND

Section 7.01 PROCEDURES REGARDING REVENUE FUND.

- (a) If a Sub-Series Bond is redeemed upon prepayment of the associated Assessment pursuant to Section 4.01(b) of the Indenture, the Trustee shall release the amount held in the Revenue Fund associated with such prepayment, and such amount shall be applied to redeem such Sub-Series Bond.
- (b) If a Sub-Series Bond is optionally redeemed in whole pursuant to Section 4.02 of the Indenture, the Trustee shall release the amount held in the Revenue Fund associated with such Sub-Series Bond and which has not yet been paid to the Owner of such Sub-Series Bond and transfer such amount to the trustee for the bonds that refunded such Sub-Series Bond.

ARTICLE VIII.

PROGRAM COSTS ACCOUNTS

Section 8.01 PROCEDURES REGARDING PROGRAM COSTS.

- (a) Each time an Advance is made, the Escrow Agent shall, unless otherwise directed in writing by the Program Administrator, remit to the Program Administrator the amount specified in the Funding Notice and Requisition for payment of administrative fees and expenses of the Program.
- (b) Upon receipt by the Program Administrator of the amount specified in clause (a), the Program Administrator shall apply the funds as follows:
 - (i) The Program Administrator shall retain for itself, as payment for the Program Administrator Fees, the amount owed to it pursuant to the Program Administration Agreement;

- (ii) The Program Administrator shall remit to the Trustee the portion of the Trustee Fees identified in Exhibit F to the Indenture as the Sub-Bond Issuance and Registration Fee, when and as invoiced by the Trustee; and
 - (iii) The Program Administrator shall reserve funds to pay fees owing to the Issuer as specified in the Program Administration Agreement and the Program Report, including the Program Handbooks referenced therein, on a quarterly basis.
- (c) Upon receipt, the Trustee shall disburse amounts representing the administrative fees and expenses components of the annual Assessments, such amounts to be identified to the Trustee by the Program Administrator in writing, as follows:
- (i) To the Trustee for its Annual Fee, identified in Exhibit F to the Indenture; and
 - (ii) To the Program Administrator for its annual fee set forth in the Program Administration Agreement.
- (d) The Program Administrator shall pay from its own funds, on the dates set forth, the following additional fees and expenses of the Trustee:
- (i) The Trustee's Acceptance Fee and counsel fee, identified in Exhibit F to the Indenture, upon the date of issuance of the Series 2015 Bonds; and
 - (ii) Without duplication of amounts paid pursuant to subsection (c)(i) above, all out-of-pocket expenses and the Trustee Expenses, as invoiced. The Trustee shall advise the Program Administrator of any such expenses in advance whenever possible, and otherwise as soon as they become known.

ARTICLE IX.

THE PURCHASER, THE PROGRAM ADMINISTRATOR AND THE ESCROW AGENT

Section 9.01 PROCEDURES REGARDING TERMINATION.

- (a) The Program Administrator and the Purchaser hereby agree that if Ygrene Energy Fund California, LLC shall no longer be the Program Administrator hereunder, under the Program Administration Agreement and under the other Bond Documents, the Issuer has the absolute right, in its sole discretion, to terminate and replace Ygrene Energy Fund, Inc. as the Purchaser hereunder and under the other Bond Documents; provided that nothing in this paragraph (a) shall affect the rights of the Purchaser to (1) sell or otherwise dispose of any Sub-Series Bonds in accordance with the Indenture, (2) continue to own any Sub-Series Bonds owned by it prior to such sale, with all the rights appertaining thereto, and (3) purchase from the successor Purchaser additional Sub-Series Bonds which the successor Purchaser acquires by making Advances hereunder.
- (b) The Program Administrator may resign at any time and be discharged of the duties and obligations hereunder, under the Program Administration Agreement and under the other Bond Documents by following the procedures set forth in the Program Administration Agreement. The Trustee shall give notice of such resignation at the earliest practicable time to the Owners of the Series 2015 Bonds.

- (c) The Purchaser may resign at any time and be discharged of the duties and obligations to make Advances hereunder, under the Indenture and under the other Bond Documents by giving not less than one hundred eighty (180) days' written notice to the Issuer, the Trustee, the Escrow Agent and the Program Administrator. If at the time of such resignation the Purchaser is the Owner of any Sub-Series Bonds, the Purchaser shall continue to be the Owner thereof after such resignation, and agrees that it may not transfer, sell or otherwise dispose of such Sub-Series Bonds except as provided in the Indenture. The Trustee shall give notice of such resignation at the earliest practicable time to the Owners of the Series 2015 Bonds.
- (d) The Issuer agrees that it shall have no right to remove the Program Administrator except as otherwise provided in the Program Administration Agreement.
- (e) The Issuer agrees that it shall have no right to remove the Purchaser except as otherwise provided in paragraphs (a) or (g) of this Section 9.01.
- (f) In case at any time the Program Administrator shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Program Administrator, or of its property, shall be appointed, or if any public officer shall take charge or control of the Program Administrator, or of its property or affairs, the Issuer shall appoint a successor Program Administrator.
- (g) In case at any time the Purchaser shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Purchaser, or of its property, shall be appointed, or if any public officer shall take charge or control of the Purchaser, or of its property or affairs, the Issuer shall appoint a successor Purchaser.
- (h) The Escrow Agent may be removed at any time by the Issuer, with or without cause. The Escrow Agent may resign at any time and be discharged of the duties and obligations hereunder and under the other Bond Documents by giving not less than one hundred twenty (120) days' written notice to the Issuer, the Trustee, the Purchaser and the Program Administrator. In case at any time the Escrow Agent shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Escrow Agent, or of its property, shall be appointed, or if any public officer shall take charge or control of the Escrow Agent, or of its property or affairs, the Issuer shall appoint a successor Escrow Agent.

ARTICLE X.

EVENTS OF DEFAULT AND REMEDIES

Section 10.01 EVENTS OF DEFAULT DEFINED.

- (a) The following shall constitute Events of Default hereunder:
 - (i) Any representation or warranty made by the Issuer, the Purchaser, the Escrow Agent or the Program Administrator herein or in any other instrument or document delivered by the Issuer, the Purchaser, the Escrow Agent or the Program Administrator in connection with the Series 2015 Bonds proves to be false or misleading in any material respect at the time it was made;
 - (ii) An Event of Default shall occur under any of the other Bond Documents and continue beyond any applicable notice and/or cure period;
 - (iii) The Issuer, the Program Administrator, the Escrow Agent or the Purchaser shall generally not pay its debts as such debts become due or admits its inability to pay its debts as they become due;
 - (iv) The Issuer, the Program Administrator, the Escrow Agent or the Purchaser shall make an assignment for the benefit of creditors; or
 - (v) (A) The filing by the Issuer, the Program Administrator, the Escrow Agent or the Purchaser (as debtor) of a voluntary petition under Title 11 of the United States Code or any other federal or state bankruptcy statute, (B) the failure by the Issuer, the Program Administrator or the Purchaser within sixty (60) days to lift any execution, garnishment or attachment of such consequence as will impair the Issuer's, the Program Administrator's, the Escrow Agent's or the Purchaser's ability, as applicable, to carry out its obligations hereunder, (C) the commencement of a case under Title 11 of the United States Code against the Issuer, the Program Administrator, the Escrow Agent or the Purchaser as the debtor or commencement under any other federal or state bankruptcy statute of a case, action or proceeding against the Issuer, the Program Administrator or the Purchaser and continuation of such case, action or proceeding without dismissal for a period of sixty (60) days, (D) the entry of an order for relief by a court of competent jurisdiction under Title 11 of the United States Code or any other federal or state bankruptcy statute with respect to the debts of the Issuer, the Program Administrator, the Escrow Agent or the Purchaser, or (E) in connection with any insolvency or bankruptcy case, action or proceeding, appointment by final order, judgment or decree of a court of competent jurisdiction of a receiver or trustee of the whole or a substantial portion of the Issuer, Program Administrator, the Escrow Agent or the Purchaser, unless such order, judgment or decree is vacated, dismissed or dissolved within sixty (60) days of such appointment;
- (b) The Issuer, the Program Administrator, the Escrow Agent or the Purchaser, as applicable, will furnish to the other parties hereto, within seven (7) days after becoming aware of the existence of any condition or event which constitutes a Default or an Event of Default, written notice specifying the nature and period of existence thereof and the action which

the Issuer, the Program Administrator, the Escrow Agent or the Purchaser, as applicable, is taking or proposes to take with respect thereto.

Section 10.02 REMEDIES ON DEFAULT.

- (a) Whenever any Event of Default shall have occurred and continued beyond any applicable notice and/or cure period, other than a default involving the Purchaser, the Purchaser may, in its sole discretion, by written notice to the Issuer, the Trustee, the Escrow Agent and the Program Administrator, (1) terminate the obligation of the Purchaser to make Advances under the Drawdown Bonds, and/or (2) exercise any of the remedies available to the Purchaser under the terms of the Bond Documents or the Act or in law or at equity.
- (b) Whenever any Event of Default involving the Purchaser shall have occurred and continued beyond any applicable notice and/or cure period, the Issuer, the Trustee, the Escrow Agent and/or the Program Administrator, may, by written notice to the other parties hereto, exercise any of the remedies available to such party under the terms of the Bond Documents or the Act or in law or at equity.

Section 10.03 REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to any party is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Purchase Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 10.04 WAIVERS; NO ADDITIONAL WAIVER IMPLIED BY ONE WAIVER. The parties hereto may at any time and from time to time waive any one or more of the conditions contained herein, but any such waiver shall be deemed to be made in pursuance hereof and not in modification hereof; and any such waiver in any instance or under any particular circumstances shall not be considered a waiver of such condition in any other instance or any other circumstances.

Section 10.05 AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES. In the event any party hereunder should default under any of the provisions of this Purchase Agreement, and any other party should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligations or agreements on the part of the defaulting party herein contained, the defaulting party shall, on demand therefor, pay to the other party or parties, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred, whether an action is commenced or not.

ARTICLE XI.

MISCELLANEOUS

Section 11.01 NOTICES.

- (a) All notices, certificates and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when (1) sent to the applicable address stated below by certified mail, return receipt requested, or by such other means as shall provide the sender with documentary evidence of such delivery, or if (2) delivery is

refused by the addressee, as evidenced by the affidavit of the Person who attempted to effect such delivery.

- (b) The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

To the Issuer: California Home Finance Authority
1215 K Street, Suite 1650
Sacramento, CA 95814
Attention: Craig Ferguson, Vice President

with a copy to: Greg Norton, Executive Director

To the Trustee: Zions First National Bank
550 South Hope Street, Suite 2650
Los Angeles, California 90071
Attention: Corporate Trust Department

To the initial Purchaser: Ygrene Energy Fund, Inc.
100 B Street, Suite 210
Santa Rosa California 95401
Attention: Dennis R Hunter, Chairman

with a copy to: Ygrene Energy Fund, Inc.
1931 San Miguel Drive, Suite 100
Walnut Creek, California 94596
Attention: Leslie Johnson
Timken Johnson

To the initial Program Administrator: Ygrene Energy Fund California, LLC
100 B Street, Suite 210
Santa Rosa California 95401
Attention: Dennis R Hunter, Member

with a copy to: Ygrene Energy Fund, Inc.
1931 San Miguel Drive, Suite 100
Walnut Creek, California 94596
Attention: Leslie Johnson
Timken Johnson

To the initial Escrow Agent: [Cortland Capital Market Services LLC
225 W. Washington St., 21st Floor
Chicago, Illinois 60606

Attention: David Traverso
Email: David.Traverso@cortlandglobal.com

It being understood and agreed that each party will use reasonable efforts to send copies of any notices to the address marked "with a copy to" hereinabove set forth, provided, however, that the failure to deliver such copy or copies shall have no consequence whatsoever as to any notice made to any of the other parties hereto.

- (c) A duplicate copy of each notice, certificate and other communication given hereunder by any party shall be given to the other parties hereto.
- (d) The parties hereto may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications shall be sent.

Section 11.02 AMENDMENT. This Purchase Agreement may not be amended, changed, modified, altered or terminated except by written instrument executed and delivered by the parties hereto. Notwithstanding the foregoing, it is understood and agreed that the Issuer and the Program Administrator may, with the consent of the Purchaser, modify and amend the Program Report, including the applicable Program Handbooks referenced therein, and the form of Assessment Contract from time to time as they deem necessary without the consent of the Trustee; provided that copies of any such modifications and amendments shall be provided to the Trustee.

Section 11.03 BINDING EFFECT. This Purchase Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 11.04 EXECUTION OF COUNTERPARTS. This Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Purchase Agreement by Electronic Means shall be effective as delivery of manually executed counterpart.

Section 11.05 APPLICABLE LAW. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 11.06 NO RECOURSE; LIMITED OBLIGATION. All covenants, stipulations, promises, agreements and obligations of the Issuer contained in this Purchase Agreement, the Series 2015 Bonds, and the other Bond Documents executed by the Issuer and in the other documents and instruments connected herewith or therewith, and in any documents supplemental thereto shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, associate member, director, officer, agent, servant or employee of the Issuer in his individual capacity, and no recourse under or upon any obligation, covenant or agreement in the Bond Documents contained or otherwise based upon or in respect of the Bond Documents, or for any claim based hereon or thereon or otherwise in respect hereof or thereof, shall be had against any past, present or future member, associate member, director, officer, agent, servant or employee, as such, of the Issuer or of any successor public body or political subdivision or any Person executing any of the Bond Documents on behalf of the Issuer, either directly or through the Issuer or any successor or political subdivision or any Person so executing any of the Bond Documents on behalf of the Issuer, it being expressly understood that the Bond Documents and the Series 2015 Bonds issued thereunder are solely obligations as described in the

Indenture, and that no such personal liability whatever shall attach to, or is or shall be incurred by, any such member, associate member, director, officer, agent, servant or employee of the Issuer or of any successor or political subdivision or any Person so executing any of the Bond Documents on behalf of the Issuer because of the creation of the indebtedness thereby authorized, or under or by reason of the obligations, covenants or agreements contained in the Bond Documents or implied therefrom; and that any and all such personal liability of, and any and all such rights and claims against, every such member, associate member, director, officer, agent, servant or employee because of the creation of the indebtedness authorized by the Bond Documents, or under or by reason of the obligations, covenants or agreements contained in the Bond Documents or implied therefrom, are, to the extent permitted by law, expressly waived and released as a condition of, and as a consideration for, the execution by the Issuer of the Bond Documents and the issuance, sale and delivery of the Series 2015 Bonds.

Section 11.07 NO PERSONAL LIABILITY. All covenants, stipulations, promises, agreements and obligations of the Purchaser or the Program Administrator contained in this Purchase Agreement and the other Bond Documents executed by such party and in the other documents and instruments connected herewith or therewith, and in any documents supplemental thereto, shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Purchaser or the Program Administrator, as applicable, and not of any member, director, officer, agent, servant or employee of such party in his individual capacity, and no recourse under or upon any obligation, covenant or agreement in the Bond Documents contained or otherwise based upon or in respect of the Bond Documents, or for any claim based hereon or thereon or otherwise in respect hereof or thereof, shall be had against any past, present or future member, director, officer, agent, servant or employee, as such, of the Purchaser or the Program Administrator, as applicable, or of any Person executing any of the Bond Documents on behalf of such party.

Section 11.08 HEADINGS AND TABLE OF CONTENTS. The table of contents and the headings of the several sections in this Purchase Agreement have been prepared for the convenience of reference only and shall not control, affect the meaning of or be taken as an interpretation of any provision of this Purchase Agreement.

Section 11.09 SEVERABILITY.

- (a) If any provision of this Purchase Agreement shall, for any reason, be held or shall, in fact, be inoperative or unenforceable in any particular case, such circumstances shall not render the provision in question inoperative or unenforceable in any other case or circumstance or render any other provision herein contained on any provision of any of the other Bond Documents inoperative or unenforceable.
- (b) The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections in this Purchase Agreement shall not affect the remaining portion of this Purchase Agreement or any part thereof.

Section 11.10 SURVIVAL OF OBLIGATIONS. This Purchase Agreement shall survive the purchase and sale of the Series 2015 Bonds and shall remain in full force and effect until the principal of the Series 2015 Bonds, together with the premium, if any, and interest thereon and all amounts payable under this Purchase Agreement shall have been irrevocably paid in full.

Section 11.11 TRANSFERS AND PARTICIPATION OF SERIES 2015 BONDS.

- (a) Notwithstanding any other provision of this Purchase Agreement, the Issuer, the Trustee, the Escrow Agent and the Program Administrator understand that the Purchaser may at its expense at any time enter into participation agreements with one or more participating banks, financial institutions, insurance companies or other Persons whereby the Purchaser will allocate to each such participant certain percentages of the payment obligations of the Issuer under this Purchase Agreement, the Indenture and the Series 2015 Bonds. Notwithstanding any such participation, the Program Administrator, the Issuer and the Trustee shall continue to deal solely and directly with the Purchaser in connection with the Purchaser's rights and obligations under this Purchase Agreement and any and all rights of the Purchaser hereunder or under the other Bond Documents may be exercised by the Purchaser only.

- (b) Notwithstanding any other provision of this Purchase Agreement, the Issuer, the Trustee and the Program Administrator understand that the Purchaser may sell, transfer or otherwise dispose of all or portions of Series 2015 Bonds owned by it at any time so long as it complies with the requirements set forth herein, in the Series 2015 Bonds and in the Indenture.

Section 11.12 INCONSISTENT PROVISIONS. Any inconsistency or conflict between the terms of this Purchase Agreement and the terms of the Program Administration Agreement shall be governed and controlled by the terms of this Purchase Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Issuer, the Trustee, the Program Administrator and the Purchaser have caused this Purchase Agreement to be executed in their respective names by duly authorized officers thereof, and the parties hereto have caused this Purchase Agreement to be dated as of the day and year first above written.

CALIFORNIA HOME FINANCE AUTHORITY

By: _____
Authorized Representative

ZIONS FIRST NATIONAL BANK, as Trustee

By: _____
Authorized Representative

YGRENE ENERGY FUND, INC., as Purchaser

By: _____
Title: _____

YGRENE ENERGY FUND CALIFORNIA, LLC, as
Program Administrator

By: _____
Title: _____

[CORTLAND CAPITAL MARKET SERVICES LLC],
as Escrow Agent

By: _____
Title: _____

EXHIBIT A

DEFINITIONS

The following words and terms used in the attached document shall have the respective meanings set forth below unless the context or use indicates another or different meaning or intent:

“Bankruptcy Code” shall mean the United States Bankruptcy Code, constituting Title II of the United States Code, as it is amended from time to time, and any successor statute.

“Electronic Means” means facsimile transmission, e-mail transmission or other similar means of communication capable of being evidenced by a paper copy.

“Initial Advance” means:

- (a) with respect to the Series 2015A Drawdown Bond, the first advance, in the amount of \$_____, made by the Purchaser under this Purchase Agreement for the purchase of the Series 2015A Drawdown Bond;
- (b) with respect to the Series 2015B Drawdown Bond, the first advance, in the amount of \$_____, made by the Purchaser under this Purchase Agreement for the purchase of the Series 2015B Drawdown Bond;
- (c) with respect to the Series 2015C Drawdown Bond, the first advance, in the amount of \$_____, made by the Purchaser under this Purchase Agreement for the purchase of the Series 2015C Drawdown Bond;

“Program Administrator Fees” means the fees of the Program Administrator retained by it pursuant to Section 8.01(b)(i) hereof.

EXHIBIT B
FORM OF ASSESSMENT CONTRACT



To: CHF Board of Directors
From: Greg Norton, Executive Director
Patricia Megason, Deputy Director
Lisa McCargar, Chief Financial Officer
Date: December 2, 2014
Re: Investment Policy Renewal 2015 - **ACTION**

Summary

The Investment Committee is responsible for overseeing the investment activity and is to present the Investment Policy to the Board for review and approval annually.

Issue

The Investment Policy was last revised and approved in December 2013. The Investment Committee consisting of the CHF Executive Director, Deputy Director and Chief Financial Officer has reviewed and is submitting the policy for annual review as required.

The Investment Committee has only one suggested revision for 2015 other than applicable dates. On page 4 of 5 of the policy, the last sentence under Authorized Financial Dealers and Institutions clarifies that review of security broker/dealers will only be performed on those that are utilized. The edit is reflected in track changes.

The Policy was reviewed by the RCRC Executive Committee on November 12, 2014. The Executive Committee directed the CHF Executive Director to recommend approval by the CHF Board of Directors.

Staff Recommendation

Staff recommends that the CHF Board of Directors review and approve the attached 2015 Investment Policy.

Attachment

- 2015 CHF Investment Policy

CALIFORNIA HOME FINANCE AUTHORITY

Subject: INVESTMENT POLICY	Class: ACCOUNTING	Number: A - 03
	<input type="checkbox"/> Complete Revision <input checked="" type="checkbox"/> Partial Revision <input type="checkbox"/> New	Supersedes: Policy dated 12/5/13 Approved:
		Page: 1 of 5 Date:

INTRODUCTION

The investment policies and practices of California Home Finance Authority (CHF) are based upon state law and provide guidelines for the prudent investment of CHF's reserve funds as well as temporarily idle cash. The primary goals of these policies are:

1. To safeguard the principal funds.
2. To provide sufficient liquidity to meet normal operating expenditures and expenditures beyond the ordinary budgeted expenses.
3. To generate investment income commensurate with the parameters of prudent risk management and consistent with the above policies.

Investments shall be made with judgment and care – under circumstances then prevailing – in the same manner that prudent investors, using discretion and intelligence, would exercise in the management of their own affairs when doing so for investment and not for speculation, and considering the probable safety of their capital as well as the probable income to be derived. The Investment Committee will use the “prudent investor” standard in managing CHF's portfolio.

Investment Committee members acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and actions are taken to control adverse developments. Any deviations, once identified, should be documented and reviewed to determine whether replacing the security would be in the best interest of the organization.

OBJECTIVES

CHF's investment policy shall be managed in a manner that emphasizes the preservation of capital. The long-term goal is to seek competitive returns while minimizing exposure to credit and market risk. The investment portfolio shall remain sufficiently liquid to meet anticipated cash requirements. CHF's objective is to diversify its investment by investing funds among a variety of securities offering independent returns and financial institutions. This can be accomplished through diversity of instruments to include those with active secondary markets, maturities that match expected cash needs, and the Local Agency Investment Fund (LAIF) and CalTrust which includes diverse investment portfolios and immediate withdrawal provisions. The investment objective shall be to achieve a rate of return that is commensurate with safety and liquidity requirements of the organization. Management of the Investment portfolio will be directed by the objectives of Preservation of Capital – understanding that losses may occur on individual securities; Risk Aversion – understanding that risk is present in all types of investment; and Adherence to Investment Discipline, adhering to this policy.

The portfolio's target total return should meet or exceed all of the following over a full market cycle (at least 5 years):

- California's Local Agency Investment Fund (LAIF) rate for the same period.
- The 90 day Treasury Bill rate for the same period.

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DELEGATION OF AUTHORITY

Authority to manage CHF's investment program is derived from California Government Code Sections 53601 and 53607 and by annual actions of CHF's Board of Directors (Board). The Board has delegated management responsibility for the investment program to the Investment Committee consisting of CHF's Executive Director, Deputy Director Chief Financial Officer (CFO). The Investment Committee shall be responsible for all investment transactions undertaken.

RESPONSIBILITY OF THE INVESTMENT CONSULTANT(S)

In the event the Investment Committee determines to utilize an Investment Consultant, the Investment Consultant's role will be that of a non-discretionary advisor to the Investment Committee. Investment advice concerning the investment management of assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment Committee will monitor expected net cash flow requirements.

To maintain the ability to deal with unplanned cash requirements that might arise, the Investment Committee will determine the portion of assets that shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills.

MARKETABILITY OF ASSETS

The Investment Committee requires that all assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price.

AUTHORIZED AND SUITABLE INVESTMENTS

CHF is empowered to invest in LAIF, CalTRUST and, as provided in Government Code (GC) Section 53601 and 53601.1 to invest in the following types of securities:

- Debt issued by CHF or other public agencies
- Money market instruments within the limitations provided in GC Section 53601.1
- Debt and/or securities of affiliated companies when that debt or security meets the requirements of any of the securities listed in GC Section 53601.1

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Allowable Assets

1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds/Securities

3. Mutual Funds

- Mutual Funds which invest in securities as allowed in this statement.

ASSET ALLOCATION

Sections 53601 and 53601.1 of the California Government Code provide legal authorization for investment of funds of local agencies. All investments of CHF shall conform to the restrictions of those laws and shall be consistent with prudent and conservative investment standards.

1. The Investment Committee will determine the Aggregate Fund Asset Allocation (allocation) giving consideration to resources, operating needs and economic conditions. The Investment Committee will monitor the allocation and take steps to balance the allocation as appropriate.
2. Should an investment percentage-of-portfolio limitation be exceeded due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Investment Committee shall consider rebalancing the portfolio, basing the decision, in part, on the expected length of time the portfolio will be unbalanced.
3. In order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency or particular industry should not be excessive as determined by the Investment Committee. The total allocation to treasury bonds and notes may represent up to 100% of the aggregate bond position

CALIFORNIA HOME FINANCE AUTHORITY

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ETHICS AND CONFLICTS OF INTEREST

Members of the Investment Committee shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Investment Committee members shall disclose annually any material financial interests in financial institutions that conduct business with CHF and they shall further disclose any large personal financial/investment positions that could be related to the performance of CHF. The annual disclosure on California Fair Political Practices Commission Form 700 will suffice to meet this requirement.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The CFO will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of California. These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by State of California laws.

All financial institutions and broker/dealers who desire to be approved for providing investment services must provide the Investment Committee with the following:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- Trading resolution
- Proof of State of California registration
- Certification of having read CHF's investment policy and depository contracts

An annual review of the financial condition and registrations of approved security broker/dealers utilized by CHF will be conducted by the Chief Financial Officer.

INVESTMENT PERFORMANCE REVIEW AND EVALUATION

The Investment Committee shall ensure that performance reports are compiled at least quarterly. The market value of the portfolio shall be calculated and an investment report shall be prepared at least quarterly for presentation to the RCRC Executive Committee. The report shall include the following:

- Listing of individual investments held at the end of the reporting period, showing institution, selling institution, date of maturity, amount of deposit, and current market value
- Realized and unrealized gains or losses resulting from appreciation or depreciation
- Return on investment expressed as an annual percentage rate
- Average weighted yield to maturity of portfolio as compared to applicable benchmarks
- Statement of current allocation of investments

CALIFORNIA HOME FINANCE AUTHORITY

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The Investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Investment Committee intends to evaluate the portfolio(s) over at least a three year period.

INVESTMENT POLICY REVIEW

The investment policy shall be reviewed and approved annually by the Board of Directors in accordance with Government Code Section 53646. By adoption of this investment policy, the Board of Directors delegates investment authority to the Investment Committee (consisting of the Executive Director, Deputy Director and Chief Financial Officer) in accordance with Government Code Section 53607. Such investment authority shall include authority to invest or to reinvest funds of CHF and to sell or exchange securities so purchased. All investments require the approval of at least two members of the Investment Committee.



To: CHF Board of Directors
From: Greg Norton, Executive Director
Patricia Megason, Deputy Director
Lisa McCargar, Chief Financial Officer
Date: December 2, 2014
Re: CHF 2015 Proposed Budget - **ACTION**

Summary

The proposed 2015 California Home Finance Authority (CHF) Operating Budget constitutes our continued commitment to the core functions of providing affordable housing down payment assistance and energy retrofit programs. The proposed budget also includes expenditures designed to assist with promotion of CHF programs and new program development.

The proposed 2015 CHF Operating Budget (Attachment A) includes total revenues of \$23,364,500 and total expenditures of \$21,485,061. The primary sources of revenue are from housing program revenue, energy grant reimbursements, investment interest earnings, and second mortgage portfolio interest earnings. The primary expenditures are for housing program gifts, contract support services payments to RCRC, RCRC contract performance fee, and program management fees.

The following sections describe in more detail the highlights of the attached proposed 2015 budget.

2015 Proposed Revenue Highlights

The proposed 2015 CHF Operating Revenue Budget totals \$23,364,500, which includes:

- Housing program revenues are the primary source of CHF revenues. The programs are offered through several lending institutions and are projected to generate \$22.2 million in revenue in 2015.
- The CHF second mortgage portfolio is projected to generate interest earnings of \$650,000.
- The existing energy program loans from the prior ARRA program continue to require loan servicing. CHF cost reimbursements from this grant are estimated to be \$363,000 for 2015.

- Interest earnings from investments are projected to be \$120,000.
- Ongoing issuer fees from prior bond issues are projected to be \$15,000

2015 Proposed Expenditure Highlights

The proposed 2015 CHF Operating Expenditure Budget is designed to provide the resources necessary to pursue and implement housing and energy programs and services. The proposed 2015 Expenditure Budget totals \$21,485,061.

Following is a summary of the primary proposed 2015 CHF expenditures:

- Housing program gifts to homebuyers of \$16.0 million and associated program management and pipeline services fees totaling \$1,680,000 constitute the major CHF expenditures.
- Contract support services payments to RCRC total \$1,461,275. The contract also includes estimated housing program performance fees of \$1,150,000. CHF contract service payments contribute to a portion of the compensation for all RCRC employees, including the RCRC President/CEO, Executive Vice President and Chief Financial Officer.
- The 2015 proposed budget includes \$50,000 for business development and expansion, \$50,000 for promotion and marketing and \$50,000 for sponsorships.
- In addition to regular operating expenditures such as accounting, auditing, insurance, rent and other housing & operating fees, the proposed expenditures for CHF include the following:
 - Board Member Travel and Reimbursements - \$15,000
 - CDLAC Fees - \$35,000
 - Consultants - \$84,000
 - Legal Services - \$100,000
 - Loan losses - \$250,000
- Grant Costs of \$363,000 for payment of energy loan servicing fees to NHF.

Key Differences between the 2015 and 2014 Expenditure Budgets

The proposed 2015 expenditures budget for CHF is \$21,485,061, which is a \$4,537,640 (26.8%) increase from the 2014 approved budget. Following is a summary of the key differences between the proposed 2015 and the 2014 approved budgets:

- **Accounting & Auditing** – A decrease of \$28,868 (49.0%) due to a reallocation of such expenses among entities.
- **insurance** – A decrease of \$14,059 (25.9%) due to a reallocation of such expenses among entities.

- **Business Development and Expansion; Promotion and Marketing; and Sponsorship** - increases of \$32,381 (183.8%); \$45,000 (900.0%); and \$30,000 (150.0%) respectively to develop new programs, promote and market new and existing programs and to further brand the CHF name and programs.
- **Consultants** – A decrease of \$109,500 (56.6%) primarily due to reallocation of consultant fees based on areas of focus.
- **Contract Support Services** – A decrease of \$299,437 (17%) in current fees due to a decrease in assigned employees and associated overhead and costs.
- **Prior Year Contract Support Services Fee** – Reduced to \$0 as the payment amount of \$1,488,246 in 2014 was a one-time payment of the remaining 2004 contract support services fee.
- **Contract Performance Fee** – \$1,150,000 based on 2015 projected housing program net proceeds and the contracted performance fee calculation.
- **Dues, Fees and Subscriptions** - An increase of \$39,000 primarily for new market monitoring software.
- **Grant Costs** – A decrease of \$47,400 (11.5%) due to a decrease in the amount of outstanding energy loans being serviced by NHF.
- **Legal Services** – An increase of \$83,253 (497.1%) for legal services associated with development of the PACE energy efficiency program, addition of a monthly fee with long-term housing counsel, legal fees associated with the development of new programs and other miscellaneous matters requiring consultation with counsel.
- **Loan Losses** - A decrease of \$110,000 (30.6%) due primarily to a decrease in the second mortgage portfolio balance.
- **Housing Gift Program** – An increase of \$6.55 million in program gifts due to increased program activity projections.
- **Pipeline Services** - \$180,000 for services provided by investment banker trading platform and program rate, delivery & pooling services.
- **Program Management** – a decrease of \$547,500 (26.7%) due to a reduction in the service rate by NHF in line with the changing market.

Budgeted Net Revenue

The proposed budget for 2015 will result in net revenue over expenditures of \$1,879,439. The budgeted expenditures include a noncash item, the loan losses, of \$250,000. Therefore, the proposed 2015 budget is projected to generate positive cash flow of \$2,139,439.

Other Related Matters

Due to the volatility and pace of the housing programs and markets, staff annually requests authority for the Executive Director to make necessary business decisions up to \$500,000 per decision outside of the approved operating budget. Staff also requests the Executive Director be granted with the authority to proceed with necessary operating decisions due to changes in the market, economy or changing transactional requirements to avoid unnecessary delay and provide the necessary flexibility to effectively and timely implement and modify programs. Such expenditure and operational decisions are to be made in consultation with the Vice President, the CHF Chair and the CHF Vice Chair and are reported back to the Board with subsequent ratification as necessary.

Resources from the past ARRA energy program grant have accumulated from payments of principal and interest received from the residential property loans provided. These resources now exceed \$9.2 million. The resources belong to the Federal Government via the California Energy Commission (CEC). Staff has continued discussions with the CEC to utilize these resources for development of a program to assist lower income home owners. These resources may also be used for energy efficiency program loan loss reserves.

Staff Recommendations

The proposed budget was presented to the RCRC Executive Committee on November 12, 2014. The RCRC Executive Committee approved the CHF budget and accompanying recommendations and directed the CHF Executive Director to present the following recommendations to the CHF Board of Directors.

1. Approve the attached proposed 2015 CHF Operating Budget.
2. Grant the CHF Executive Director the authority to make necessary business decisions and utilize up to \$500,000 per decision outside of the approved operating budget when necessary. Such decisions will be made in consultation with the Vice President, the CHF Board Chair and Vice Chair and reported back to the CHF Board at the next available Board meeting.
3. Grant the CHF Executive Director the authority to proceed with necessary operating decisions due to changes in opportunities, the market, the economy or changing transactional requirements to provide necessary flexibility to effectively and timely implement programs. Such decisions to be made in consultation with the Vice President, CHF Chair and CHF Vice Chair with subsequent ratification by the Board of Directors as necessary.
4. Approve the contract service fee to RCRC in the amount of \$1,461,275 and the contract performance fee of \$1,150,000. These fees contribute to a portion of the compensation for all RCRC employees, including the RCRC President/CEO, Executive Vice President and Chief Financial Officer.

Attachment

- 2015 CHF Operating Budget

CALIFORNIA HOME FINANCE AUTHORITY
FY 2015 BUDGET
January 1-December 31, 2015

Income:	2015 Budget	2014 Budget	Change
Grant Reimbursed Costs	\$ 363,000	\$ 410,400	\$ (47,400)
Housing Program Revenue	22,216,500	14,866,000	7,350,500
Interest Income	120,000	93,928	26,072
Ongoing Issuer Fees	15,000	38,944	(23,944)
2nd Mortgage Interest	650,000	1,074,162	(424,162)
Total Income	\$ 23,364,500	\$ 16,483,434	\$ 6,881,066
Expenditures:			
Accounting & Auditing	\$ 30,000	\$ 58,868	\$ (28,868)
Arbitrage Rebate	5,000	10,000	(5,000)
Bank Fees	3,000	29,598	(26,598)
Board Member Travel and Reimbursements	15,000	12,528	2,472
Business Development and Expansion	50,000	17,619	32,381
CDLAC fees	35,000	55,000	(20,000)
Conferences	1,500	1,684	(184)
Consultants	84,000	193,500	(109,500)
Contract Support Services	1,461,275	1,760,712	(299,437)
Contract Support Services-2004 Restored	0	1,488,246	(1,488,246)
Contract Performance Fee	1,150,000	855,000	295,000
Contract-Temporary Labor	10,000	0	10,000
Delivery Services	0	150	(150)
Dues, Fees & Subscriptions	40,000	1,000	39,000
Grant Costs	363,000	410,400	(47,400)
Insurance	40,270	54,329	(14,059)
Legal Services	100,000	16,747	83,253
Lender Training	0	8,769	(8,769)
Loan Losses	250,000	360,000	(110,000)
Meetings	0	267	(267)
Miscellaneous	6,000	309	5,691
Off-Site Storage	500	516	(16)
Gift Program	16,000,000	9,450,000	6,550,000
Pipeline Services	180,000	0	180,000
DPA Program Management	1,500,000	2,047,500	(547,500)
Postage	600	2,701	(2,101)
Printing and Duplication	0	1,653	(1,653)
Professional Fees	0	22,000	(22,000)
Promotion and Marketing	50,000	5,000	45,000
Rent	49,916	48,335	1,581
Sponsorships	50,000	20,000	30,000
Telephone/Data Lines	0	958	(958)
Travel	10,000	14,032	(4,032)
Total Expenditures	\$ 21,485,061	\$ 16,947,421	\$ 4,537,640
Net Revenues Over Expenditures	\$ 1,879,439	\$ (463,987)	\$ 2,343,426
Noncash Adjustments:			
Loan Losses	\$ 250,000	\$ 360,000	\$ (110,000)

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To: CHF Board of Directors
From: Craig Ferguson, Vice President
Greg Norton, Executive Director
Date: December 2, 2014
Re: Multi-Family Program Investment - **ACTION**

Summary

Staff continues to review opportunities in multifamily housing financing in California. There is demand for tax-exempt financing and the associated 4% low income housing tax credits (LIHTC) via the California Debt Limit Allocation Committee (CDLAC), to be utilized toward the construction of new or renovation of existing rental buildings for low-to-moderate income families.

Additional financing in the form of zero or low rate and easy term financing is requested by developers from time to time on certain projects as a subsidy to assist with debt service and to enhance the affordability of the project. This financing is generally difficult for developers to obtain. Staff believes, in the right circumstances, this is a niche that CHF may be able to fill. Participation in such financing, as the multifamily project issuer and as a source for subsidizing certain qualified projects, would provide CHF a competitive edge over existing issuers, assist CHF's entry into multifamily financing, and underline CHF's continued commitment toward assisting low income families.

At the November 12, 2014 RCRC Executive Committee meeting, the RCRC Executive Committee directed the CHF Executive Director to recommend that the CHF Board of Directors approve a commitment of up to \$5,000,000 for investment in subsidy loans for certain qualified multifamily projects to be issued through CHF with rates and terms to be determined by staff.

Staff will evaluate on a project by project basis, the feasibility of a subsidy loan on a project where such assistance is requested. The overall analysis will include consideration of the resources generated from these projects along with issuance of multiple bonds that would not require subsidy for which CHF would also be the issuer of the bonds.

All projects to be issued will require:

- a) Approval by CHF Board;
- b) Approval by the jurisdiction in which the project is located;
- c) Financial approval from all financing sources; Approval by CDLAC for 4% LIHTC tax credit bond allocation;
- d) Where a subsidy loan is to be provided, a subordinate lien on the property to secure the investment; and,
- e) Any other required documentation as deemed necessary by CHF.

Staff Recommendation:

Staff recommends that the CHF Board of Directors approve a commitment of up to \$5,000,000 for investment in subsidy loans for certain qualified multifamily projects to be issued through CHF with rates and terms to be determined by staff.



To: CHF Board of Directors
From: Craig Ferguson, Vice President
Greg Norton, Executive Director
Date: December 2, 2014
Re: PACE Course of Construction Financing Commitment - **ACTION**

At the California Home Finance Authority (CHF) Board Meeting on March 26, 2014, the Board of Directors approved continued efforts to:

1. Proceed with the Process to Establish a JPA-wide PACE program(s);
2. Establish a public-private partnership with a PACE program administrator;
3. Evaluate the cost/benefit of providing Course of Construction financing; and
4. Make the necessary recommendations for financial and staff commitments to create and implement a successful program.

Staff has made progress with regard to establishing a JPA-wide PACE program, which would include a large assessment district for voluntary participation by municipalities included in the district. At the CHF Board Meeting on September 26, 2014, the Board of Directors approved two Resolutions of Intent. One to form a community facilities district, and the other to form a special assessment program. At the CHF Board Meeting on November 12, 2014, the Board of Directors opened a public hearing to receive any testimony or comments from the public regarding the community facilities district. The hearing was continued to December 10, 2014. Staff has also made progress with a qualified entity to create a public-private partnership to implement and administer the programs.

Staff continues to evaluate the cost/benefit of providing "course of construction" financing and believes an opportunity exists to meet a need, and potentially encourage a higher level of rural county contractor participation. Existing PACE programs lack construction financing which provides funds during a "draw period" to cover contractor costs incurred during the course of construction, primarily to purchase necessary equipment. Such a lack of financing in this arena discourages some contractors, of primary concern, smaller contractors, from either participating in the program or conducting deep energy retrofits. Staff believes that participation in such financing would provide CHF and the program a competitive edge over existing programs as well as generate an additional source of revenue for CHF through interest and fees associated with the financing. Lastly, this financing would be collateralized with PACE funding receivables and secured with the lien filing on the applicable property.

Staff Recommendation:

Staff recommends that the CHF Board of Directors approve a commitment of up to \$10,000,000 for investment in a facility to provide course of construction financing for certain qualified retrofit projects with rates and terms to be determined by staff.

