

**REPORT REQUIRED BY TEXAS LOCAL
GOVERNMENT CODE SECTION 399.009 FOR LUBBOCK COUNTY
PROPERTY ASSESSED CLEAN ENERGY (“PACE”) PROGRAM**

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1. Introduction

The Lubbock County (“County”) Property Assessed Clean Energy (“PACE”) program (the “PACE Program” or “Program”) is enabled under Texas Local Government Code Chapter 399 (“PACE Act”).

PACE Programs are an innovative way to finance or refinance the installation of energy and water efficiency improvements, distributed generation of renewable energy sources, and such other work to existing commercial buildings. Interested commercial property owners (“Property Owners”) enter into a voluntary assessment to receive up to 100% project financing, which assessment is repaid as part of their property taxes for up to 30 years.

The Program has been established for Lubbock County to assist Property Owners in financing eligible improvements. The Program facilitates financing for Property Owners in participating areas by establishing voluntary assessments levied on the subject properties (“Assessments”). The Program has qualified multiple PACE capital providers (“Qualified Capital Providers”) to provide financing for qualified projects (“Qualified Projects” or “Projects”). Such Qualified Capital Providers will provide private capital for the Program to finance qualified improvements (“Qualified Improvements”).

This Lubbock County PACE Program Report (“Program Report”) outlines the basic design and financing structure of the Program, and constitutes the report required pursuant to Section 399.009 of the PACE Act.

2. Eligible Properties

The Lubbock County PACE Program is strictly a voluntary program. To be eligible, the subject property must have the ability to be assessed property taxes. All private sector Property Owners of eligible properties located within the Lubbock County PACE region shown in Exhibit 1 may participate in PACE financing for Qualified Projects. Eligible properties (“Eligible Properties”) include:

- Commercial real property
- Industrial real property
- Multi-family residential real property with five or more dwelling units

Government, single-family residential, undeveloped property and property being developed at the time of the Assessment are not Eligible Properties.

3. Qualified Improvements

The Qualified Improvements eligible for PACE financing are one or more permanent improvements fixed to eligible real property that are intended to reduce the energy and/or water consumption or demand of the property, including a product, device, or interacting group of products or devices on the customer’s side of the meter that uses energy technology to generate electricity, provide thermal energy or regulate temperature.

An energy or water efficiency improvement eligible for PACE Financing means one or more

installations or modifications to Eligible Properties that are intended to reduce the energy and/or water consumption or demand of the property. The following non-exclusive list illustrates the types of efficiency improvements that may generally be financed using PACE.

Energy Efficiency Improvements:

- a) High efficiency heating, ventilating and air conditioning (“HVAC”) systems
- b) High efficiency lighting system upgrades
- c) High efficiency chillers, boilers, and furnaces
- d) High efficiency water heating systems
- e) Building enclosure and envelope improvements
- f) Energy management systems and controls
- g) Combustion and burner upgrades
- h) Heat recovery and steam traps

Water Efficiency Improvements:

- a) Water conservation and wastewater recovery and reuse systems
- b) Water management systems and controls (indoor and outdoor)
- c) High efficiency irrigation equipment

Any other modification, installation, or remodeling approved as a utility cost-savings measure by the Program Administrator as described in Section 7, including water conservation fixtures, both indoor and outdoor and for both hot and cold water.

Renewable Energy Improvements: The PACE statute permits the financing of renewable energy improvements, installed on the customer’s side of the meter that uses energy technology to generate electricity, provide thermal energy, or regulate temperature. These include, but are not limited to:

- a) Photovoltaic
- b) Solar
- c) Thermal
- d) Small wind
- e) Low-impact hydroelectric
- f) Biomass
- g) Fuel cell
- h) Geothermal systems, including geothermal heat pumps.

This list is not comprehensive and any measures that meet the PACE ACT criteria will be considered.

The financing of the Qualified Improvements may be structured through a purchase agreement or lease, the payments under which may be prepaid in whole or in part. The financing can be used to cover the cost of a Project to include but not limited to: products; materials; labor and professional installation; program application and administrative fees; Project development and engineering; permitting, inspections and capital provider fees and third-party review fees and any other costs incident thereto or permitted under the PACE Act.

4. Qualified Projects

A Qualified Project for PACE Financing must be located on Eligible Properties, permanent, owned by a private Property Owner, and include the installation or modification of a Qualified Improvement.

5. Qualified Capital Providers

Program financing is offered to the public through one or more Qualified Capital Providers. The Property Owner, and not Lubbock County or Program Administrator, selects the capital provider from a list of approved capital providers that have been qualified by the Program Administrator. Qualified Capital Providers are responsible for originating Program financings while providing competitive pricing, controlling quality, utilizing existing incentive programs, providing capital, and complying with local regulations.

Any capital provider can request to participate in the PACE Program so long as it is a financially stable entity with the ability to carry out, either directly or through a servicer, the bookkeeping and customer service work necessary to manage the Assessment accounts. It is recommended that capital providers meet one or more of the following requirements:

- a) Any federally insured depository institution such as a bank, savings bank, savings and loan association and federal or state credit union; or
- b) Any insurance company authorized to conduct business in one or more states; or
- c) Any registered investment company or registered business development company; or
- d) Small business investment company; or
- e) Any publicly traded entity; or
- f) Any private entity that:
 - Has a minimum net worth of \$5 million; and
 - Has at least three years' experience in business or industrial lending or commercial real estate lending (including multifamily lending), or has a lending officer that has at least three years' experience in business or industrial lending or commercial real estate lending; and
 - Can provide independent certification as to availability of funds; and
 - Has the ability to carry out, either directly or through a servicer, the bookkeeping and customer service work necessary to manage the Assessment accounts.

Qualified Capital Providers operate independently under the guidelines described in this Program Report and any additional Program Administrator requirements. Processes, financing rates and terms offered by each Qualified Capital Provider may vary subject to the Qualified Capital

Provider's underwriting requirements. References to Qualified Capital Providers in this Program Report apply to all Qualified Capital Providers engaged by or participating in the Program.

6. Map of PACE Region

The subject property must be located within the region established for the Program by Lubbock County, which includes all of the area within Lubbock County's jurisdiction. A map showing the boundaries, and accordingly, the region within which the Program is offered is attached as Exhibit 1.

7. Authorized Representative

The PACE Act authorizes Lubbock County to enter into a contract with a third-party authorized representative to provide administrative services for the PACE Program (the "Program Administrator" or "Authorized Representative"). Lubbock County has appointed and authorized the Program Administrator to act as Lubbock County's Authorized Representative for the PACE Program pursuant to the PACE Act. The Program Administrator is responsible for administration of the PACE Program and management of the process, such as executing contracts with Property Owners and Qualified Capital Providers, to ensure that Assessments and financings are made according to Program eligibility requirements. The Program Administrator has the responsibility for day-to-day coordination and delivery of the PACE Program. Administration includes the functional categories of program management, program marketing, and education.

The Lubbock County Commissioners Court will appoint a qualified organization (the "Program Administrator") to administer the Lubbock County PACE Program on behalf of Lubbock County, and the County Judge or his/her designee will be authorized to enter into a professional services agreement with the Program Administrator on behalf of the County to provide for administration of the Lubbock County PACE Program. The Program Administrator will be designated to act as the Authorized Representative of the County, subject to the terms of such contract and the provisions of the PACE Act, for the purpose of administering the Lubbock County PACE Program, including the interaction with the Lubbock County Tax Assessor-Collector.

The Program Administrator will be funded by application fees and a component of the interest rate on the Assessment and any other sources of revenue authorized under the PACE Act. These are paid by the Property Owners or Qualified Capital Providers. The Program Administrator will not receive any compensation or reimbursement from Lubbock County.

8. Owner Assessment Contract

A contract will be executed between Lubbock County which may be through the Program Administrator and the Property Owner(s) to provide for the property Assessment to secure the financing for approved Qualified Projects ("Owner Assessment Contract"). The Owner Assessment Contract attached as Exhibit 2 specifies the terms of the Assessment and conditions that would be agreed to by Lubbock County and the Property Owner. It also specifies the financing to be provided by a Qualified Capital Provider selected by the Property Owner.

9. Qualified Capital Provider Contract

A form contract ("Qualified Capital Provider Contract") between Lubbock County and the Qualified Capital Provider selected by a Property Owner is attached to this Report as Exhibit 3. It specifies the financing and servicing of the debt through Assessments.

10. Plans for Insuring Sufficient Private Capital

The Program is an open PACE platform which seeks to stimulate the market through a model under which multiple private Qualified Capital Providers may participate and fund Qualified Projects. This allows Property Owners to choose from a number of Qualified Capital Providers which increases competition. Increased competition not only brings additional capital to the open PACE Program, it ensures competitive financing rates and higher levels of service for Property Owners.

11. No Use of Bonds or Public Funds

Lubbock County does not intend to issue public bonds or use any other public monies to fund PACE Projects. Property Owners will obtain all financing from the Qualified Capital Providers they choose.

12. Limit on Length of Assessment

PACE financing Assessment terms should not exceed the useful life of the proposed improvements and should be for 30 years or less. For Projects that include multiple improvements, the weighted average useful life of the combined improvements must equal or exceed the term of the PACE Assessment.

13. Application Process and Eligibility Requirements

An application is to be submitted to the Program Administrator at the beginning of the process and will be used to determine eligibility and a preliminary approval amount. The application will include:

- a) A description of the specific real property to which the Qualified Improvements will be permanently fixed.
- b) A description of the specific Qualified Improvements to be installed or modified on the property.
- c) An estimate of the total amount of financing, including any transaction costs, to be repaid through Assessments.
- d) Completed PACE Qualification Questionnaire attached to the Application.
- e) Acknowledgement on the Application that the Project meets the Eligible Properties requirements.

Based on this information, the Program Administrator may issue a preliminary letter indicating that, subject to verification of all requirements at closing, the proposed Project appears to meet Program requirements. The Property Owner may submit the Project to Qualified Capital Providers for approval of financing and initiate an Independent Third-Party (“ITPR”) review of the Project. Prior to installation, the Program Administrator must approve each Project. To obtain Project approval the ITPR must submit a report to the Program Administrator defining the Project’s scope, products to be installed, costs, and the estimated energy and water savings or distributed power generation capacity. Upon receipt of the ITPR report the Program Administrator will determine the Project’s eligibility for financing. The Project’s eligibility for financing under the Program may be determined based on a Project’s capacity to make the property energy efficient, conserve water or generate renewable energy. If the Program Administrator determines that the Project is eligible for financing under the Program, an approval to proceed will be sent to the Property Owner(s).

14. Independent Third Party Review

For each proposed Qualified Project, an Independent Third Party Reviewer (“ITPR”) is required to:

- a) Determine the energy or water baseline conditions and the projected energy or water savings;
- b) Verify that the proposed Qualified Improvements meet the requirements of a Qualified Project and;
- c) Provide written verification that the site of the Qualified Project was visited by the ITPR and the Qualified Project is properly completed and operating as intended.

15. Property Owner Financial Ability

The Qualified Capital Provider chosen by the Property Owner will determine whether the Property Owner has demonstrated the financial ability to repay the financial obligations to be collected through contractual Assessments. The method for ensuring such a demonstration of financial ability must be based on appropriate underwriting factors, including, but not limited to verification that:

- a) The Property Owner requesting to participate in the Program:
 - Property Owner must be the owner of record as determined by the official County records and be a person or entity. In the case of entity ownership, Property Owner may also be used to describe a required signatory for the financing documents.
 - Is current on mortgage and property tax payments,
 - Is not insolvent or in bankruptcy proceedings,
- b) The title of the benefitted property is not in dispute; and
- c) There is an appropriate ratio of the amount of the Assessment to the assessed value of the property.

16. Property Tax Assessments and Collections

Imposition of Assessment: In consideration for the financing advanced or to be advanced to Property Owner by the Qualified Capital Provider for the Qualified Project under the PACE Program pursuant to the Qualified Capital Provider Contract, the Property Owner will request and agree to the imposition by Lubbock County of the Assessment, as set forth in the Notice of Contractual Assessment Lien, including all interest, fees, penalties, costs, and other sums due under and/or authorized by the PACE Act, PACE Program and the financing documents between the Property Owner and Qualified Capital Provider. The Property Owner promises and agrees to pay such amount and interest to Lubbock County, in care of or as directed by Qualified Capital Provider, in satisfaction of the Assessment imposed pursuant to the Owner Assessment Contract and the PACE Act. Accordingly, Lubbock County, through its Program Administrator and Qualified Capital Provider will impose the Assessment on the Property to secure the payment of such amount, in accordance with the requirements of the PACE Program and the provisions of the PACE Act.

Assessment Collection: The Assessment, including the amount financed and contractual interest, is due and payable in installments as set forth in the Notice of Contractual Assessment Lien and the financing documents. The Assessment shall also include: (1) a closing fee paid by the Property

Owner to the Program Administrator at Assessment closing, and (2) a recurring administration fee paid by the Property Owner to the Qualified Capital Provider and remitted to the Program Administrator. The Program Administrator will oversee the collection of PACE Assessments by the Qualified Capital Provider or a designated servicer who will be responsible for maintaining payment records, account balances and reporting to the Program Administrator.

Upon notice from Qualified Capital Provider that all amounts owing have been paid in full, Lubbock County, through its Program Administrator, will execute a release of the Assessment. Assignment of Right to Receive Installments: The Qualified Capital Provider will have the right to assign or transfer the right to receive the installments of the debt secured by the Assessment.

17. Mortgage Lien Holder Notice and Consent

The Property Owner must give the holder of any mortgage lien on the property notice of the Property Owner's intention to participate in the Program on or before the 30th day before the date the Owner Assessment Contract is executed. The Property Owner must obtain the written consent of all holders of a mortgage lien on the property.

The notice and the consent described in this section must be given or obtained, respectively, before an Owner Assessment Contract is entered into with the Property Owner.

18. Marketing and Education Services

The Program Administrator will educate Property Owners and local contractors on the availability, benefits and Program requirements associated with utilizing the PACE Program.

Lubbock County may also enter into agreements with one or more other local governments or organizations that promote energy and water conservation and/or economic development to provide marketing and education services for the PACE Program.

19. Quality Assurance and Antifraud Measures

The Program Administrator will oversee the quality assurance of the PACE Program. This includes but is not limited to:

- a) A thorough review of the Project Application to ensure both the Property and Qualified Improvements meet the requirements of the Program.
- b) Verification of written mortgage lienholder consent to the Assessment.
- c) Pre-Qualification of capital providers prior to being able participate in the PACE Program.
- d) Receive, manage, track, report, and timely resolve all inquiries and complaints from Property Owners.

Any misrepresentations made to the Program or Program Administrator by a Property Owner, Independent Third Party Reviewer or contractor at any time is likely to cause the Property Owner, Independent Third Party Reviewer and/or contractor to be terminated from the Program and may result in legal action.

20. Delinquency

The annual proportion of the Assessment coming due in any year, together with the annual interest thereon, shall be payable in the manner outlined in the Qualified Capital Provider Contract, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do other tax assessments on the property.

Under the terms of the form of contract between Lubbock County and the Qualified Capital Provider Contract included as Exhibit 3, if a Property Owner fails to pay an agreed installment when due on the PACE Assessment, the Qualified Capital Provider will agree to take at least the following steps to collect the delinquent installment:

- a) Mail to the Property Owner a written notice of delinquency and demand for payment by both certified mail (return receipt requested) and first class mail, and
- b) Mail to the Property Owner a second notice of delinquency and demand for payment by both certified mail (return receipt requested) and first class mail, at least 30 days after the date of the first notice if the delinquency is continuing.

If the Property Owner fails to cure the delinquency within 30 days after mailing the second notice of delinquency, the Qualified Capital Provider may notify the Program Administrator of the Property Owner's default. Pursuant to Texas Local Government Code Section 399.014(c), the Program Administrator will initiate steps for Lubbock County to enforce the Assessment lien in the same manner as a property tax lien against real property may be enforced, to the extent the enforcement is consistent with § 50, Article XVI, of the Texas Constitution. Delinquent installments will incur penalties and interest in the same manner and at the same rate as delinquent property taxes, according to Texas Local Government Code § 399.014(d), and such statutory penalties and interest will be due to Lubbock County to offset the cost of collection.

If Lubbock County files suit to enforce collection, the County may also recover costs and expenses, including attorney's fees, in a suit to collect a delinquent installment of an Assessment in the same manner and at the same rate as in suit to collect a delinquent property tax. If a delinquent installment of an Assessment is collected after the filing of a suit, Lubbock County will remit to the Qualified Capital Provider the net amount of the delinquent installments and contractual interest collected and remit to the Program Administrator the amount of any administrative fees collected but will retain any statutory penalties, interest, and attorney's fees collected.

21. Future Program Changes

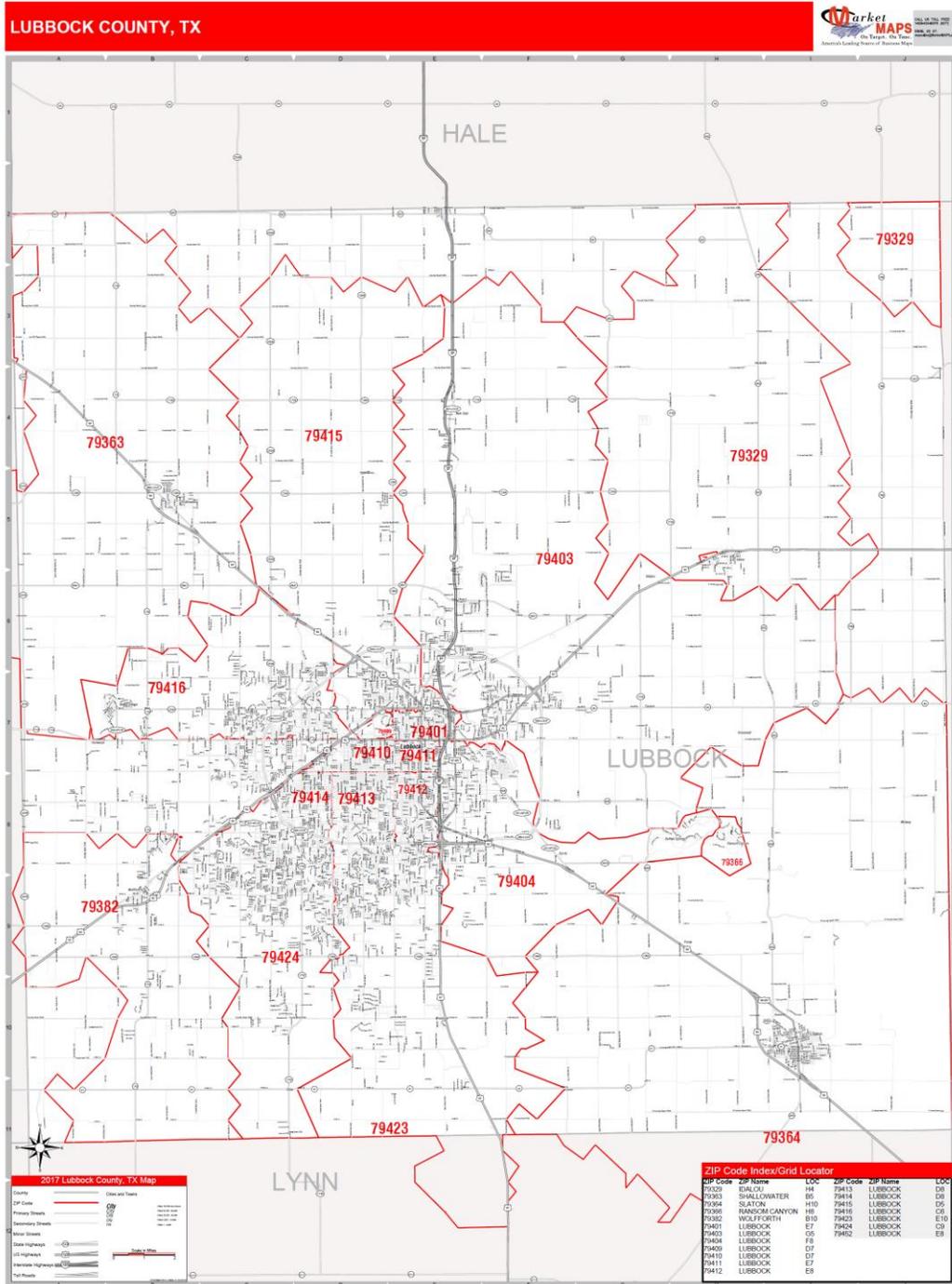
Lubbock County reserves the right to change the Program and its terms at any time; however, any such change will not affect a Property Owner's existing obligation to pay the contractual Assessment agreed to in an executed Owner Assessment Contract.

EXHIBIT 1

Boundary Map

MAP OF LUBBOCK COUNTY PACE REGION

(Entire Region of Lubbock County, Texas)



Lubbock County Map

Lubbock County, Texas

E. The financing of such Qualified Improvements will be provided to Property Owner by _____ (“Qualified Capital Provider”), a Qualified Capital Provider selected by Property Owner. Qualified Capital Provider and Local Government have executed a written contract with respect thereto, as required by § 399.006(c) of the PACE Act and by the PACE Program (the “PACE Qualified Capital Provider Contract”).

THEREFORE, Local Government hereby gives notice to the public pursuant to § 399.013 of the PACE Act that it has imposed an assessment on the Property in the amount set forth on Exhibit C attached hereto, which together with all interest, fees, penalties, costs and other sums due under and/or authorized by the PACE Act, PACE Program and the financing documents between Property Owner and Qualified Capital Provider (the “Financing Documents”) is herein referred to as the “Assessment.” Pursuant to § 399.014 of the PACE Act, the Assessment, and any interest and penalties, costs, or fees accrued thereon, is a first and prior lien on the Property from the date that this Notice of Contractual Assessment Lien is recorded in the Official Public Records of Lubbock County, Texas, until such Assessment, interest, penalties, costs, and fees are paid in full. Such lien has the same priority status as a lien for any other ad valorem tax, pursuant to § 399.014(a)(2) of the PACE Act. The lien created by the Assessment runs with the land, and according to § 399.014(b) of the PACE Act, any portion of the Assessment that has not yet become due is not eliminated by foreclosure of: (i) a property tax lien, or (ii) the lien for any past due portion of the Assessment. In the event of a sale or transfer of the Property by Property Owner (including, without limitation, a foreclosure sale for a past due portion of the Assessment), the obligations under the Financing Documents (including, without limitation, the portion of the Assessment that has not yet become due) will be transferred to the succeeding owner.

EXECUTED ON _____, 20_____.

LOCAL GOVERNMENT:

By:

Name: _____

Title:

AUTHORIZED REPRESENTATIVE

ACKNOWLEDGEMENT

STATE OF TEXAS §
 §
COUNTY OF LUBBOCK §

This Notice of Contractual Assessment Lien Pursuant to Property Assessed Clean Energy Act was acknowledge before me on _____, 20____, by _____, _____, on behalf of _____, Texas.

Printed Name

NOTARY PUBLIC, STATE OF TEXAS

EXHIBIT A

PROPERTY DESCRIPTION

EXHIBIT B

QUALIFIED IMPROVEMENTS

EXHIBIT C
ASSESSMENT

Assessment Total:
Payment Frequency:
Interest Rate:

Payment Date	Total Payment	Principal Paid	Interest Paid	Administration Fee	Remaining Balance

EXHIBIT 2

FORM B

MORTGAGE LIEN HOLDER CONSENT TO PACE ASSESSMENT

Property Owner: _____
Mailing Address: _____
Local Government: _____
Mailing Address: _____
Lender: _____
Mailing Address: _____
Property: The Real Property located in Lubbock County, Texas, as
more fully described in Exhibit A
Street Address of
Property: _____
Maximum Amount of
Assessment Authorized: _____

RECITALS

A. Lender has made one or more loans to Property Owner secured by that Deed of Trust or Security Agreement (the "Deed of Trust") dated _____ recorded in Volume ____, Page _____, under Instrument Number _____ of the Real Property Records of Lubbock County, Texas, securing the indebtedness described therein. The Deed of Trust, the notes creating the debts secured by the Deed of Trust, and all other loan agreements and other documents relating to the debt and Deed of Trust are referred to as the "Loan Documents."

B. Property Owner desires to enter into an Owner Assessment Contract (the "PACE Agreement") with the Lubbock County ("Local Government") to impose an assessment (the "Assessment") to repay the financing of a qualified project under Texas Local Government Code Chapter 399 (the "PACE Act"). The terms of the Assessment are set out in the PACE Agreement between the Local Government and Property Owner and are summarized in Exhibit A attached hereto and made a part hereof by reference. The Assessment will constitute a lien against the Property with the same priority status of any other ad valorem tax.

C. Texas Local Government Code Chapter 399 requires that the Lender: (i) be given notice of the Property Owner's intention to participate in a program under the PACE Act on or before the 30th day before the date the PACE Agreement is executed, and (ii)

provide written consent to the Assessment prior to the Property Owner and Local Government executing the PACE Agreement.

AGREEMENT

1. Lender hereby consents to the Assessment and the PACE Agreement and agrees that Property Owner shall not be in default under the Loan Documents because it enters into the PACE Agreement or the financing documents referenced therein, or because the Property is subject to the Assessment imposed against the Property pursuant to the PACE Agreement.

2. Property Owner agrees that the amount of the Assessment shall not exceed the Maximum Amount of Assessment Authorized, as specified above, without the consent of Lender.

EXECUTED effective as of _____, 20____.

PROPERTY OWNER:

LOCAL GOVERNMENT:

By: _____
Name: _____

By: _____
Name: _____
Title: _____
Authorized Representative

LENDER:

By: _____
Name: _____
Title: _____

EXHIBIT 2

FORM C

FINANCING DOCUMENTS

(Attach Financing Agreement and other documents constituting the Financing Documents)

Financing Documents

Document Title	Parties	Date Executed

Assessment Payment Schedule

Assessment Total:

Payment Frequency:

Interest Rate:

Payment Date	Total Payment	Principal Paid	Interest Paid	Administration Fee	Remaining Balance

EXHIBIT 3

QUALIFIED CAPITAL PROVIDER CONTRACT

THIS PACE QUALIFIED CAPITAL PROVIDER CONTRACT (the “Qualified Capital Provider Contract”) is made as of the _____ day of _____, 20____, by and between Lubbock County, Texas (“Local Government”), and _____ (“Qualified Capital Provider”).

RECITALS

A. The Property Assessed Clean Energy Act (“PACE Act”), Texas Local Government Code Chapter 399, authorizes the governing body of a local government to establish a program and designate a region within the local government’s jurisdiction within which an authorized local government official may enter into written contracts with the record owners of commercial, agricultural, industrial, and large multifamily residential (five or more dwelling units) real property to impose assessments on the property to finance the cost of permanent improvements fixed to the property intended to decrease water or energy consumption or demand.

B. Local Government has established a program under the PACE Act pursuant to a Resolution adopted on _____, 20____, (the “PACE Program”), and has designated _____ (“Authorized Representative”) as the representative authorized to enter into and enforce the Owner Assessment Contract and Qualified Capital Provider Contract described herein, and has designated the entire territory within the Local Government as a region (“Region”) within which the Authorized Representative and the record owners of such real property may enter into written contracts to impose assessments to repay the financing by owners of qualified improvements on the owner’s property pursuant to the PACE Program.

C. Pursuant to application number _____, (“Property Owner”) has applied to Local Government to participate in the PACE Program with respect to certain real property located at _____, Texas (the “Property”) by installing or modifying on the Property certain permanent improvements which are intended to decrease water or energy consumption or demand, and which are or will be fixed to the Property as “qualified improvements”, as defined in § 399.002 of the PACE Act (the “Qualified Improvements”). The installation or modification of such Qualified Improvements on the Property will be a “Qualified Project” as defined in § 399.002 of the PACE Act (the “Project”).

D. Property Owner and Local Government have entered into a written contract as required by § 399.005 of the PACE Act, a copy of which is attached hereto as Exhibit A and made a part hereof (the “Owner Assessment Contract”), in which Property Owner has requested that Local Government impose an assessment (the “Assessment”) on the Property as set forth in the Notice Of Contractual Assessment Lien Pursuant To Property Assessed Clean Energy Act to be filed in the in the Official Public Records of Lubbock County, Texas (the “Notice of Contractual Assessment Lien”), a copy of which is attached to the Owner Assessment Contract as Form A, to repay the financing of such Qualified Improvements. The Property, Qualified Improvements and Assessment are more fully described in the Notice of Contractual Assessment Lien.

E. Financing for the Project (the “Financing”) will be provided to Property Owner by Qualified Capital Provider in accordance with financing documents described in, or copies of which are included as Form C to the attached Owner Assessment Contract and made a part hereof (the “Financing

Documents”). Such Financing includes only those costs and fees for which an Assessment may be imposed under the PACE Act. This Qualified Capital Provider Contract is entered into between Local Government and Qualified Capital Provider as required by § 399.006(c) of the PACE Act to provide for repayment of the Financing secured by the Assessment.

F. As required by § 399.010 of the PACE Act, Property Owner notified the holder(s) of any mortgage liens on the Property at least thirty (30) days prior to the date of the Owner Assessment Contract of Property Owner’s intention to participate in the PACE Program. The written consent of each mortgage holder to the Assessment was obtained prior to the date of the Owner Assessment Contract, as shown by the copy of such consent attached as Form B to the attached Owner Assessment Contract.

AGREEMENT

The parties agree as follows:

1. Maintenance and Enforcement of Assessment. Qualified Capital Provider agrees to provide the Financing for the Project in the total amount of \$_____, according to the terms set out in the Financing Documents included as Form C to the attached Owner Assessment Contract. In consideration for the Financing provided or to be provided by Qualified Capital Provider for the Project, and subject to the terms and conditions of this Qualified Capital Provider Contract, Local Government agrees to maintain and continue the Assessment for the benefit of Qualified Capital Provider until all of the payments under the Financing Documents, including all contractual interest according to the Financing Documents, and any statutory penalties, interest, attorney’s fees, or costs accrued in the event of default are paid in full, and to release the Assessment upon notice from Qualified Capital Provider of such payment. Local Government agrees to enforce the Assessment lien against the Property for the benefit of Qualified Capital Provider in the event of a default by Property Owner and following written notice to Local Government from Qualified Capital Provider. Local Government shall have no liability to Qualified Capital Provider should there be a default or an event of default in the payment thereof or should there be any other loss or expense suffered by Qualified Capital Provider or under any other circumstances.

2. Installments. The Assessment, including the amount financed and contractual interest, is due and payable to Qualified Capital Provider in installments as set forth in the Financing Documents and Notice of Contractual Assessment Lien. As required by § 399.009(a)(8) of the PACE Act, the period during which such installments are payable does not exceed the useful life of the Project. When the Assessment has been paid in full, Local Government’s rights under the Owner Assessment Contract will cease and terminate, and upon notice from Qualified Capital Provider, Local Government will execute and record a release of the Assessment and the Owner Assessment Contract.

3. Assignment of Right to Receive Installments. Qualified Capital Provider will have the right to assign or transfer the right to receive the installments of the Assessment, provided all of the following conditions are met:

(a) The assignment or transfer is made to a Qualified Capital Provider, which may be one of the following:

- (1) Any federally insured depository institution such as a bank, savings bank, savings and loan association and federal or state credit union;
- (2) Any insurance company authorized to conduct business in one or more states;

- (3) Any registered investment company, registered business development company, or a Small Business Administration small business investment company;
- (4) Any publicly traded entity; or
- (5) Any private entity that:
 - (i) Has a minimum net worth of \$5 million;
 - (ii) Has at least three years' experience in business or industrial lending or commercial real estate lending (including multifamily lending), or has a lending officer that has at least three years' experience in business or industrial lending or commercial real estate lending;
 - (iii) Can provide independent certification as to availability of funds; and
 - (iv) Has the ability to carry out, either directly or through a servicer, the bookkeeping and customer service work necessary to manage the Assessment accounts.

(b) Property Owner and Authorized Representative are notified in writing of the assignment or transfer and the address to which payment of the future installments should be mailed at least 30 days before the next installment is due according to the payment schedule included in the Notice of Contractual Assessment Lien and the Financing Documents; and

(c) The assignee or transferee of the right to receive the installments executes an explicit written assumption of all of Qualified Capital Provider's obligations under this Qualified Capital Provider Contract.

Upon written notice to Property Owner and Authorized Representative of an assignment or transfer of the right to receive the installments that meets all of these conditions, the assignor shall be released of all of the obligations of the Qualified Capital Provider under this Qualified Capital Provider Contract accruing after the date of the assignment. Any attempt to assign or transfer the right to receive the installments of the Assessment that does not meet all of these conditions is void.

4. Financing Responsibility. Qualified Capital Provider assumes full responsibility for determining the financial ability of the Property Owner to repay the Financing and for advancing the funds as set forth in the Financing Documents and performing Qualified Capital Provider's obligations and responsibilities thereunder.

5. Lien Priority and Enforcement. As provided in the Owner Assessment Contract and § 399.14 of the PACE Act:

(a) Delinquent installments of the Assessment incur interest and penalties in the same manner and in the same amount as delinquent property taxes. Subject to the limitation set out in paragraph 16 below, statutory penalties and interest payable under this paragraph will be retained by Local Government to compensate it for the cost of enforcing the Assessment.

(b) The Assessment, together with any penalties and interest thereon,

(1) is a first and prior lien against the Property from the date on which the Notice of Contractual Assessment Lien is filed in the Official Public Records of Lubbock County, as provided by § 399.014 of the PACE Act, until the Assessment and any penalties and interest are paid; and

(2) such lien has the same priority status as a lien for any other ad valorem tax, pursuant to § 399.014(a)(2) of the PACE Act.

(c) The lien created by the Assessment runs with the land, and any portion of the Assessment that has not yet become due is not eliminated by foreclosure of a property tax lien, according to § 399.014(b) of the PACE Act. In the event of a sale or transfer of the Property by Property Owner, the obligation for the Assessment and the Property Owner's obligations under the Financing Documents will be transferred to the succeeding owner.

(d) In the event of a default by Property Owner in payment of the installments called for by the Financing Documents, the lien created by the Assessment will be enforced by Local Government in the same manner that a property tax lien against real property may be enforced by a local government, to the extent the enforcement is consistent with § 50, Article XVI, Texas Constitution.

(e) In a suit to collect a delinquent installment of the Assessment, Local Government will be entitled to recover costs and expenses, including attorney's fees, penalties, and interest due, in the same manner as in a suit to collect a delinquent property tax.

6. Servicing and Enforcement of Assessment.

(a) **Servicing.** The Assessment payments will be billed, collected, received, and disbursed in accordance with the procedures set out in the Financing Documents. Qualified Capital Provider will be responsible for all servicing duties other than those specifically undertaken by Local Government in this Qualified Capital Provider Contract.

(b) **Remittances.** Each of the party's covenants and agrees promptly to remit to the other party any payments incorrectly received by such party with respect to the Assessment after the execution of this Qualified Capital Provider Contract.

(c) **Default and Enforcement.** In the event of a default in payment of any installment of the Assessment as specified in the Financing Documents, Qualified Capital Provider agrees to take at least the following steps to collect the delinquent installment:

(1) Mail a written notice of delinquency and demand for payment to the Property Owner by both certified mail, return receipt requested, and first class mail; and

(2) Mail a second notice of delinquency to the Property Owner by both certified mail, return receipt requested, and first class mail at least 30 days after the date of the first notice if the delinquency is continuing.

If the Property Owner fails to cure the delinquency within 30 days after the mailing of the second notice of delinquency, the Qualified Capital Provider or its designated servicer may notify Local Government in writing of a default by the Property Owner, and upon receipt of such notice, Local Government agrees that Local Government will enforce the Assessment lien for the benefit of Qualified Capital Provider in the same manner as a

property tax lien against real property may be enforced, to the extent the enforcement is consistent with § 50, Article XVI, Texas Constitution.

(d) Final Payment and Release. When the Assessment has been satisfied, and paid in full, together with all interest provided under the Financing Documents and all costs, fees, penalties, and interest applicable under the PACE Act and payable to Qualified Capital Provider or Local Government, Local Government's rights under the Owner Assessment Contract will cease and terminate, and upon notice of such payment from Qualified Capital Provider, Local Government will execute and record a release of the Assessment and the Owner Assessment Contract.

(e) Limitations on Local Government's Actions. Without the prior written consent of Qualified Capital Provider, Local Government will not enter into any amendment or modification of or deviation from the Owner Assessment Contract. Local Government will not institute any legal action with respect to the Owner Assessment Contract, the Assessment, or the Assessment lien without the prior written request of Qualified Capital Provider.

(f) Limitations of Local Government's Obligations. Local Government undertakes to perform only such duties as are specifically set forth in this Qualified Capital Provider Contract, and no implied duties on the part of Local Government are to be read into this Qualified Capital Provider Contract. Local Government will not be deemed to have a fiduciary or other similar relationship with Qualified Capital Provider. Local Government may request written instructions for action from Qualified Capital Provider and refrain from taking action until it receives satisfactory written instructions. Local Government will have no liability to any person for following such instructions, regardless of whether they are to act or refrain from acting.

(g) Costs. No provisions of this Qualified Capital Provider Contract will require Local Government to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

7. Qualified Capital Provider's Warranties and Representations. With respect to this Qualified Capital Provider Contract, Qualified Capital Provider hereby warrants and represents that on the date on which Qualified Capital Provider executes this Qualified Capital Provider Contract:

(a) Qualified Capital Provider is a qualified Capital Provider under the PACE Program, as defined in paragraph 3(a) above, and is fully qualified under the PACE Program to enter into this Qualified Capital Provider Contract and the Financing Documents;

(b) Qualified Capital Provider has independently and without reliance upon Local Government conducted its own credit evaluation, reviewed such information as it has deemed adequate and appropriate, and made its own analysis of the Owner Assessment Contract, the Project, and Property Owner's financial ability to perform the financial obligations set out in the Financing Documents;

(c) Qualified Capital Provider has not relied upon any investigation or analysis conducted by, advice or communication from, or any warranty or representation by Local Government or any agent or employee of Local Government, express or implied, concerning the financial condition of the Property Owner or the tax or economic benefits of an investment in the Assessment.

8. Written Contract Required by the PACE Act. This Qualified Capital Provider Contract constitutes a written contract between Local Government and Qualified Capital Provider, as required under § 399.006(c) of the PACE Act.

9. Construction and Definitions. This Qualified Capital Provider Contract is to be construed in accordance with and with reference to the PACE Program and PACE Act. Terms used herein, and not otherwise defined herein, shall have the meanings ascribed to them in: (1) the Notice of Contractual Assessment Lien, (2) the Owner Assessment Contract, (3) the PACE Program, and/or (4) the PACE Act.

10. Binding Effect. This Qualified Capital Provider Contract is binding upon and shall inure to the benefit of the parties hereto and their respective heirs, representatives, successors, and assigns.

11. Notices. All notices and other communications required or permitted hereunder shall be in writing and mailed by certified mail, return receipt requested, addressed to the other party at the address stated below the signature of such party or at such other address as such party may from time to time designate in writing to the other party, and shall be effective from the date of receipt.

12. Governing Law. This Owner Assessment Contract shall in all respects be governed by and construed in accordance with the laws of the State of Texas. Any suit regarding this Qualified Capital Provider Contract must be filed in the District Courts of Lubbock County, Texas.

13. Entire Agreement. This Qualified Capital Provider Contract constitutes the entire agreement between the parties with respect to the subject matter hereof and shall not be amended or altered in any manner except by a document in writing executed by both parties.

14. Captions. Paragraph and section titles are for convenience of reference only and shall not be of any legal effect.

15. Counterparts. This Qualified Capital Provider Contract may be executed in any number of counterparts, all of which when taken together shall constitute one agreement binding on the parties, notwithstanding that all parties are not signatories to the same counterpart.

16. Interest. Interest and penalties in the event of default, as provided above, are explicitly authorized by § 399.014(d) of the PACE Act. However, in no event will the total amount of interest on the Assessment, including statutory interest payable to Local Government and contractual interest payable to Qualified Capital Provider under the Financing Documents, exceed the maximum amount or rate of nonusurious interest that may be contracted for, charged, or collected under Texas law (the “usury limit”). If the total amount of interest payable to Local Government and Qualified Capital Provider exceeds the usury limit, interest payable to Local Government will be reduced and any interest in excess of the usury limit will be credited to the amount payable to Local Government or refunded. This provision overrides any conflicting provisions in this Qualified Capital Provider Contract.

17. Certification. Local Government certifies that the PACE Program has been duly adopted and is in full force and effect on the date of this Qualified Capital Provider Contract. Property Owner has represented to Qualified Capital Provider and Local Government that the Project is a Qualified Project as defined in the PACE Program and § 399.002 of the PACE Act. The Assessment has been imposed on the Property as a lien in accordance with the PACE Owner Assessment Contract and the PACE Act. Local Government has not assigned or transferred any interest in the Assessment or the PACE Owner Assessment Contract.

18. Construction Terms. If this Qualified Capital Provider Contract includes requirements related to the construction of the Project and disbursement of Financing, such requirements will be included as an exhibit to this Qualified Capital Provider Contract. Such requirements may include, among other things, (1) the disbursement schedule and (2) any holdback amount to be funded following verification of final Project completion.

18. Special Provisions. (to be added as necessary)

EXECUTED effective as of _____, 20_____.

QUALIFIED CAPITAL PROVIDER:

LOCAL GOVERNMENT:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: Authorized Representative

Address: _____

Address: _____

EXHIBIT A

PACE OWNER ASSESSMENT CONTRACT