



*Property Assessed Clean Energy
Program Report*

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Preface to the Program Report by the Illinois Finance Authority

Commercial Property Assessed Clean Energy (“C-PACE”) financing can be used by owners and developers of commercial properties to finance or refinance eligible improvements in connection with renovations of existing buildings and new construction, in each case up to 25% of the value of the property. Eligible improvements generally include fixtures, products, systems, equipment, devices, and materials intended for energy efficiency, renewable energy, resiliency, or water use; electric vehicle charging stations are eligible improvements too. C-PACE financing has features that make it very attractive as an alternative or a supplement to existing types of commercial real estate financing. For example, C-PACE financing is non-recourse to the record owner and assignable upon transfer of the property. While these features may be found in conduit mortgage loans included in commercial mortgage-backed securities (often referred to as CMBS loans or CMBS financing), they are not common in either traditional bank financing or mezzanine financing, which is often used to finance significant new commercial real estate construction or deep energy retrofit projects. C-PACE financing also has attractive features that are not available with any other type of commercial real estate financing. C-PACE financing does not accelerate upon a default (payment or otherwise), permits terms of up to 40 years, and allows financing of up to 100% of all project and closing costs. All capitalized terms in this Preface not otherwise defined have the meanings set forth in the accompanying Program Report.

C-PACE financing is secured by a voluntary special assessment on the benefited property that is represented by an assessment contract between the record owner and the Governmental Unit. The special assessment is senior to all mortgages and other private liens on such property and is *pari passu* to other real estate taxes and assessments. The lien priority and preferences of C-PACE financing is the primary reason why capital providers are willing to provide up to 100% financing that is non-recourse, non-callable in the event of default, and assignable in the event of a transfer of the property. Interest on C-PACE financing is usually fixed throughout the term, although that is not required by the PACE Act, and is generally well below the rates charged by mezzanine lenders and equipment lenders. Under the PACE Act, the assessment contract must be recorded, and serves as collateral for C-PACE financing, similar to a recorded commercial mortgage serving as collateral for a commercial real estate loan. C-PACE financing to fund PACE Projects occurs through the issuance of conduit debt obligations (such as bonds or notes), similar to other special assessment financing programs in Illinois.

Despite these attractive features and plentiful amounts of capital from providers enthusiastic to consider environmental, social, and governance factors alongside financial factors in the investment decision-making process, the use of C-PACE financing in Illinois has been limited to date. Counties and municipalities have informed the Illinois Finance Authority of their desire to avoid the need to devote the time and resources necessary to develop and implement a property assessed clean energy program with the features of the Illinois Finance Authority PACE Program and to otherwise be required to issue bonds or notes to finance or refinance PACE Projects and incur the related compliance or accounting obligations. Additionally, capital providers have informed the Authority of their desire for a fair and competitive, statewide open market sponsored by an independent, neutral program administrator. Finally, record owners have informed the Authority of their desire to minimize the program administration and governmental fees associated with C-PACE financing.

The Authority has observed that the lack of market activity is also because C-PACE financing under existing property assessed clean energy programs is not uniform throughout Illinois, and under such programs, capital providers cannot administer and service their own C-PACE financing originations. Moreover, under existing property assessed clean energy programs, program administrators are tasked with roles and responsibilities that are typically performed by capital providers, such as marketing, establishing processes for contractors, statutory underwriting, processing applications, billing and collecting, and enforcement. This structure, a vestige of the C-PACE financing market's earliest days, is both cumbersome and costly. Similar to commercial mortgage lenders, the Authority believes capital providers in the C-PACE financing market should instead facilitate access to capital by performing these activities for their own account or others of their choosing, with their own resources, and within appropriate guidelines.

In consideration of these factors, the Illinois Finance Authority has standardized the structure, implementation, and delivery of C-PACE financing in Illinois to lessen the burdens on counties and municipalities throughout Illinois that may desire to create PACE areas and establish property assessed clean energy programs, to attract capital providers to purchase bonds or notes issued by the Authority to fund PACE Projects throughout Illinois, and to assist record owners in the financing or refinancing of PACE Projects throughout Illinois. The nonpartisan, nonpolitical Illinois Finance Authority PACE Program intends to achieve these objectives in the PACE Area created by the Governmental Unit by applying the structure of the commercial mortgage industry to better align the roles and responsibilities of the C-PACE financing market. The Illinois Finance Authority PACE Program allows capital providers to not only originate C-PACE financings in a statewide, open market sponsored by an independent, neutral program administrator but also allows capital providers to administer and service PACE Projects directly or through affiliates in the capacity of PACE Project Administrators, for their own account or others of their choosing. Record owners will benefit from lower C-PACE financing costs amid the resulting fairness and competition among capital providers, at no cost to the Governmental Unit.

All parties will also benefit from the Authority's vast experience in the issuance of conduit debt obligations, which each year amounts to billions of dollars of long-term investment in voluntary projects of private sector borrowers in Illinois. As a statewide conduit issuer of bonds and notes, the Authority's uniform C-PACE financing documents for all PACE Projects will simplify due diligence in the asset-backed securities market for capital providers in contrast to a fragmented market of numerous county and municipal issuers of conduit debt obligations throughout Illinois. Accordingly, the Authority elected to leverage these competitive advantages to achieve vertical integration and economies of scale in local markets such as the PACE Area by forming the C-PACE Open Market Initiative, an Illinois not-for-profit corporation and component unit of the Authority, to offer an independent, neutral program administrator in the capacity of PACE Area Administrator to the Governmental Unit and its residents and taxpayers, at no cost to the Governmental Unit.

The goals of the C-PACE Open Market Initiative are to spur investment in energy efficiency and water conservation, and to stimulate growth of renewable energy and resilient building design throughout Illinois.

- Brad R. Fletcher

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Introduction

This Program Report was approved by the Governmental Unit by adopting the ordinance to which this Program Report accompanies (the “PACE Ordinance”). All terms defined in the PACE Ordinance will, for all purposes of this Program Report, have the meanings specified therein unless the context otherwise requires.

The PACE Ordinance meets the requirements of Section 15 of the PACE Act. The Governmental Unit created the PACE Area to make financing and refinancing opportunities available to any record owner of property that voluntarily requests the levy of a special assessment to secure the financing or refinancing of a proposed PACE Project pursuant to an assessment contract.

Purpose of the Program Report

As required by the PACE Act, the Program Report contains a basic summary of the Illinois Finance Authority PACE Program and its statewide, open market architecture. The Illinois Finance Authority PACE Program is sometimes referred to, or marketed as, the “IFA PACE Program” or the “IFA Municipal Choice PACE Program” or the “IFA County Advantage PACE Program”).

Program Description

The Governmental Unit is establishing the nonpartisan, nonpolitical IFA PACE Program to accelerate private investment in PACE Projects affixed to existing and newly constructed commercial, industrial, non-residential agricultural, and multi-family (5 or more units) properties in the PACE Area, at no cost to the Governmental Unit. The IFA PACE Program is distinctly different from any existing property assessed clean energy program that has been launched by a county or municipality in Illinois. Under the IFA PACE Program, the Governmental Unit is participating in a statewide, open market of PACE areas administered by the C-PACE Open Market Initiative as the independent, neutral program administrator, referred to as the PACE Area Administrator. The PACE Area Administrator, among other things, acts as a liaison to the Governmental Unit and its residents, taxpayers, and other interested persons. Record owners, meanwhile, are afforded the opportunity to work with capital providers of their own choosing as PACE Project Administrators and to assemble the team of professionals desired for any potential PACE Project (e.g., architects, engineers, energy auditors, appraisers, contractors, bond counsel, trustees, title companies).

The IFA PACE Program is appealing because its neutrality among capital providers avoids the conflicts of interest that exist under certain other existing property assessed clean energy programs throughout Illinois. Under the IFA PACE Program, capital providers or their affiliates will administer and service their respective PACE Projects as PACE Project Administrators. This feature eliminates the additional program administration fees otherwise charged by affiliates of competing capital providers or other third parties that have secured or will endeavor to secure an exclusive role as program administrator for a county or municipality. As a result, the IFA PACE Program incentivizes competition to lower costs and improve service for record owners.

Additionally, in their capacity as PACE Project Administrators, capital providers can fairly manage existing and future relationships with record owners without the risks associated with sharing business intelligence with affiliates of competing capital providers that have secured an exclusive role as program administrator for a county or municipality.

The statewide, open market architecture of the IFA PACE Program also offers what no other property assessed clean energy program in Illinois can offer: uniformity; the financing or refinancing of all PACE Projects regardless of location is undertaken by a single issuer of bonds or notes. The Illinois Finance Authority has statewide authorization to issue bonds and notes to fund PACE Projects located in any PACE area, thus doing away with any issuance of bonds or notes by the Governmental Unit. In turn, the Governmental Unit and its fellow counties and municipalities enjoy the benefit of not incurring any related conduit debt compliance or accounting obligations. The simplification of a single conduit issuer with statewide authorization to fund PACE Projects attracts capital providers that desire a standardized, efficient, and affordable way to facilitate access to capital for record owners, further reducing legal and financing costs for such record owners.

Under the IFA PACE Program, the Governmental Unit always retains its prerogatives as set forth in the PACE Act and the PACE Ordinance, including the right to establish other property assessed clean energy programs and to issue its own bonds or notes under such other programs.

Program Roles and Responsibilities

The roles and responsibilities of the Governmental Unit, the Authority, the PACE Area Administrator, the PACE Project Administrators, and the capital providers under the IFA PACE Program are described below.

Governmental Unit

Pursuant to the PACE Ordinance, any one of the Authorized Officers set forth therein, acting singly, on behalf of the Governmental Unit, may execute and deliver an assessment contract and related assignment agreement assigning the assessment contract to the Authority as collateral for the financing or refinancing, or interim financing, of a PACE Project.

Illinois Finance Authority

Pursuant to the PACE Ordinance, the Governmental Unit has designated the Authority as the sole conduit issuer of bonds and notes to fund any PACE Projects approved under the IFA PACE Program.

The Authority is a body politic and corporate created under the laws of the State of Illinois (the “State”). The Authority was created under the Illinois Finance Authority Act, 20 ILCS 3501/801-1 *et seq.*, as amended from time to time (the “Authority Act”), which consolidated seven of the State’s previously existing financing authorities. Under the Authority Act, the Authority may not have outstanding at any time bonds or notes for PACE Projects in an aggregate principal amount exceeding \$2,000,000,000 (subject to change, from time to time, by acts of the State Legislature). Pursuant to the Authority Act, the Authority is governed by up to

15 Members appointed by the Governor with the advice and consent of the State Senate. The Members receive no compensation for the performance of their duties but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of such duties.

Members of the Authority consider and approve capital providers to purchase or arrange for the purchases of bonds or notes issued by the Authority, and to provide or arrange any related interim financing by warehouse funds prior to the issuance of such bonds or notes, in each case to fund PACE Projects approved under the IFA PACE Program.

Meetings of the Authority are conducted in accordance with the Open Meetings Act, 5 ILCS 120/1 *et seq.*, as amended (the “Open Meetings Act”). An annual schedule of regular meetings of the Authority and all notices, agenda, meeting details, and minutes of each regular or special meeting are posted on the following website: www.il-fa.com/public-access.

PACE Area Administrator

Pursuant to the PACE Ordinance, the Governmental Unit has authorized the PACE Area Administrator to act as the program administrator to manage day-to-day operations of the IFA PACE Program. The PACE Area Administrator will be responsible for administering and implementing the IFA PACE Program, including: processing requests for financing or refinancing, or interim financing; coordinating among record owners, counsel, the Authority, capital providers, PACE Project Administrators, contractors, and other professionals; interfacing with the Governmental Unit on the execution and delivery of assessment contracts and assignment agreements; and reporting and arranging for any required reporting to the Governmental Unit that may be requested from time to time. The PACE Area Administrator will also act as liaison to the community of the Governmental Unit and will conduct, alone or in conjunction with others, appropriate marketing and education activities.

Pursuant to the PACE Ordinance, the Governmental Unit also has delegated to the PACE Area Administrator the discretion to determine which capital providers (or their affiliates) will be authorized to act as PACE Project Administrators. The eligibility requirements of, and the terms and conditions for, a capital provider (or its affiliate) to participate in the IFA PACE Program as a PACE Project Administrator are set forth in a standard form of Master Participation Agreement. The Master Participation Agreement is supplemented by the IFA PACE Program Handbook of Supplemental Information and Requirements (as amended, supplemented, or modified from time to time, the “PACE Handbook”). The PACE Area Administrator considers and approves PACE Project Administrators, and, if approved, the PACE Area Administrator and the PACE Project Administrator enter into the Master Participation Agreement. The form of Master Participation Agreement is available from the PACE Area Administrator upon request. The PACE Handbook is posted on the following website: www.IFApace.com.

Members of the Authority also serve as the Board of Directors of the PACE Area Administrator. The Directors receive no compensation for the performance of their duties but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of such

duties. Meetings of the PACE Area Administrator are conducted in accordance with the Open Meetings Act. All notices, agenda, meeting details, and minutes of each regular or special meeting are posted on the following website: www.il-fa.com/public-access.

PACE Project Administrators

Pursuant to the PACE Ordinance, and upon approval of the PACE Area Administrator, PACE Project Administrators are authorized to act as program administrators of the IFA PACE Program. PACE Project Administrators are authorized, on a non-exclusive basis, for their own account and for the account of others of their choosing, to originate financings or refinancings of PACE Projects, to purchase or arrange for the purchases of the related bonds or notes issued by the Authority, and to provide or arrange any related interim financing by warehouse funds prior to the issuance of such bonds or notes. They are also responsible for providing or arranging for the provision of administrative and servicing responsibilities of such PACE Projects.

Upon entering into the Master Participation Agreement with the PACE Area Administrator, each PACE Project Administrator agrees to perform at its sole cost and expense the duties and obligations set forth in the PACE Ordinance, including this Program Report, the Master Participation Agreement, and the PACE Handbook, as provided herein and therein.

The Governmental Unit reserves the right to terminate or suspend any PACE Project Administrator at any time, for any reason or no reason, after giving written notice thereof to the PACE Area Administrator at least 60 calendar days before the termination or suspension is to be effective. Upon receiving such written notice from the Governmental Unit, the PACE Area Administrator shall give written notice thereof to the PACE Project Administrator at least 30 calendar days before the termination or suspension is to become effective.

Capital Providers

Capital providers (or their designated transferee(s)) purchase bonds or notes issued by the Authority and provide or arrange any related interim financing by warehouse funds prior to the issuance of such bonds or notes, in each case to fund PACE Projects approved under the IFA PACE Program.

Capital providers must be institutional “accredited investors” (as defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended) or “qualified institutional buyers” (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended).

To be an approved capital provider of the IFA PACE Program, Members of the Authority consider and approve authorizing resolutions in meetings conducted in accordance with the Open Meetings Act. Each authorizing resolution of the Authority for the purchase of bonds or notes by a capital provider or its designated transferee(s) remains in effect for up to three years following the date of adoption to ensure efficient and timely funding of PACE Projects, consistent with market expectations. Interested capital providers should contact Authority staff.

A list of approved capital providers is posted on the following website: www.IFApace.com.

Marketing and Education

Given the statewide, open market architecture of the IFA PACE Program, it is anticipated that PACE Project Administrators will conduct marketing on behalf of the IFA PACE Program in their target markets to originate and fund PACE Projects for their own account or the account of others of their choosing. All marketing materials used by PACE Program Administrators in connection with the IFA PACE Program must acknowledge that its services are offered through, or in association with, the Governmental Unit and the Authority (and upon request by the Authority, the C-PACE Open Market Initiative).

The Authority and PACE Area Administrator endeavor to provide technical assistance with respect to the marketing of the IFA PACE Program and educating the community regarding the financing and administration of PACE Projects, as may be reasonably requested by the Governmental Unit and its residents, taxpayers, and other interested persons from time to time. The Authority has posted education materials and contact information on the following website: www.IFApace.com.

Supplemental information regarding resources available to record owners subjecting properties to the IFA PACE Program by Federal or State agencies, including without limitation, the U.S. Department of Energy, the U.S. Department of Housing and Urban Development, the U.S. Department of the Treasury, the Illinois Department of Commerce and Economic Opportunity, the Illinois Department of Natural Resources, the Illinois Environmental Protection Agency, regional councils, or economic development corporations may be published from time to time in the PACE Handbook.

Eligibility

Any financing or refinancing, or interim financing, of a PACE Project approved under the IFA PACE Program must be accompanied by a written opinion from a nationally recognized municipal bond counsel in form and substance acceptable to the Authority.

Eligible Improvements

Each type of improvement as prescribed in the PACE Act qualifies for financing or refinancing, or interim financing, under the IFA PACE Program.

Any of the following types of improvements qualify as PACE Projects under the PACE Act:

- Alternative energy improvements (i.e., electric vehicle charging stations)
- Energy efficiency improvements
- Renewable energy improvements
- Resiliency improvements
- Water use improvements

Pursuant to the PACE Act, the Governmental Unit may exercise discretion to make eligible any energy efficiency improvement, resiliency improvement, or water use improvement that is intended as a utility or other cost-savings measure but is not otherwise specifically enumerated in the PACE Act.

All eligible improvements must be affixed to an eligible property.

Eligible Properties

Each type of property as prescribed in the PACE Act qualifies for financing or refinancing, or interim financing, under the IFA PACE Program.

Any of the following types of privately-owned properties located in the PACE Area qualifies for financing or refinancing under the PACE Act:

- Commercial
- Industrial
- Non-residential agricultural
- Multi-family (of 5 or more units)
- Any property owned by a not-for-profit entity

Eligible Use of Proceeds

The amount of any financing or refinancing, or interim financing, of a PACE Project approved under the IFA PACE Program may include any and all of the following: the cost of materials and labor necessary for acquisition, construction, installation, or modification of the PACE Project, permit fees, inspection fees, application and administrative fees, financing fees, reserves, capitalized interest, costs of billing the assessment, and all other fees, costs, and expenses that may be incurred by the record owner pursuant to the acquisition, construction, installation, or modification of the PACE Project, and the costs of issuance of bonds or notes issued by the Authority on a specific or pro rata basis, as determined by the Governmental Unit, as evidenced by its execution of the assessment contract, and may also include a prepayment premium.

While records owners and PACE Project Administrators may choose any licensed contractor or contractors, each licensed contractor must sign a written acknowledgement that the applicable PACE Project Administrator will not authorize final payment to the contractor or contractors until the Governmental Unit has received the Completion Certificate from the record owner that the PACE Project was properly acquired, constructed, installed, or modified and is operating as intended; provided, however, that the contractor or contractors retain all legal rights and remedies in the event there is a disagreement with the record owner. The PACE Project Administrator is authorized to receive such Completion Certificate on behalf of the Governmental Unit. The Completion Certificate shall be in substantially the form attached to the PACE Handbook.

Quality Assurance and Antifraud

Quality assurance protocols serve to prevent improper or low-quality construction, installation, or modification of PACE Projects and protect against fraud and abuse of the IFA PACE Program.

All work requiring a license under any applicable law to acquire, construct, install, or modify a PACE Project shall be performed by a licensed contractor that has agreed to adhere to a set of

terms and conditions through a process established by the applicable PACE Project Administrator.

Each PACE Project Administrator shall institute quality assurance protocols. Despite the presence of these protocols and procedures, responsibility for the successful operation of any PACE Project is that of the record owner and its registered professionals. None of the Governmental Unit, the Authority, the PACE Area Administrator, the PACE Project Administrator, capital provider, trustee, servicer, or any of their respective directors, managers, officers, employees, advisors, or agents shall have any liability for the acquisition, construction, installation, modification, and operation of any eligible PACE Project.

Program Underwriting Guidelines

Each PACE Project Administrator is likely to have underwriting requirements separate and apart from the underwriting guidelines prescribed by the IFA PACE Program. At a minimum, each PACE Project Administrator shall determine that a PACE Project meets the following program underwriting guidelines, in addition to those guidelines prescribed in the PACE Handbook and the PACE Act, which will be evidenced by the Compliance Certificate described hereafter. At no time will the PACE Area Administrator be a party to negotiations of any proposed financing and assessment between a record owner and the PACE Project Administrator.

Record Owners

In addition to the eligibility requirements described herein, a record owner must be current on all mortgage debt on the applicable property and the record owner must not have filed for bankruptcy in the last two years.

Properties/Assets

Pursuant to the PACE Act, the following characteristics disqualify any eligible property from participating in the IFA PACE Program:

- Any delinquent taxes, special assessments, or water or sewer charges on the property; or
- Any delinquent assessments on the property under a property assessed clean energy program; or
- Any notices of default or other evidence of property-based debt delinquency have been recorded and not cured; or
- The property is an asset in a current bankruptcy proceeding.

Each PACE Project Administrator must have further received evidence of whether there are any involuntary liens on the applicable property, including, but not limited to, construction or mechanics liens, *lis pendens* or judgments against the record owner, environmental proceedings, or eminent domain proceedings. PACE Project Administrators and capital providers (or their designated transferee(s)) have discretion to evaluate the risk, if any, such involuntary liens pose to the financing and assessment of the applicable PACE Project.

Senior Lender Consent

Each record owner shall provide to the mortgage holders of any existing mortgages encumbering or otherwise secured by the applicable property a notice of the record owner's intent to enter into an assessment contract with the Governmental Unit, together with the maximum principal amount to be financed or refinanced and the maximum annual assessment necessary to repay that amount, along with an additional request that the mortgage holders of any existing mortgages consent to the record owner subjecting the property to the IFA PACE Program. The Governmental Unit or applicable PACE Project Administrator shall be provided with a copy or other proof of those notices and the written consent of the mortgage holder for the record owner enter into the assessment contract which acknowledges that (i) the existing mortgage or mortgages for which the consent was received will be subordinate to the assessment contract and the lien created thereby and (ii) the Governmental Unit and its permitted assignees can foreclose the property if the assessment is not paid.

Maximum Assessment Amount/Lien-to-Value

The aggregate amount that may be financed or refinanced, or interim financed, under one or more assessment contracts for any property located in the PACE Area must not exceed 25% of the value of the property as further described below under the caption "Property Valuation" and in accordance with guidelines set forth in the PACE Handbook.

Useful Life

The term of an assessment shall not exceed the useful life of the PACE Project financed or refinanced under an assessment contract. For any assessment contract financing or refinancing multiple improvements or multiple PACE Projects with varying useful lives, the term of an assessment shall not exceed the longest useful life of any singular improvement or PACE Project. The expected useful life of each improvement or PACE Project shall be determined by the PACE Project Administrator based on industry standards and manufacturers' warranties.

Repayment Periods/Maturity

Under the IFA PACE Program, the term of an assessment cannot exceed 40 years. In addition, pursuant to the Authority Act, the final maturity of any bonds or notes issued by the Authority cannot exceed 40 years.

Interest Rates

The interest rate or rates that will be charged pursuant to any assessment contract will be determined by negotiation between a record owner and the PACE Project Administrator. Interest rates are typically fixed for the term of the assessment contract. There is no prohibition under the PACE Act or the IFA PACE Program for an assessment contract to provide for a variable rate of interest.

Credit Enhancement

Bonds and notes issued by the Authority to fund PACE Projects shall never be general obligations of the Governmental Unit, the State, or the Authority but shall be secured by the payments under one or more assessment contracts on the respective, benefited properties located within the PACE Area and, if applicable, revenue sources or reserves established by the Authority (at the request of PACE Project Administrators) from proceeds of bonds or notes or other lawfully available funds. In addition, bonds or notes issued by the Authority may be secured by municipal bond insurance, letters of credit, or public or private guarantees or sureties as may be arranged from time to time by a PACE Project Administrator.

Program Application Process

For any record owner located in the PACE Area to obtain financing or refinancing, or interim financing, of a PACE Project, the IFA PACE Program requires a property valuation, an executed term sheet, an application that has been approved by the Authority, and a Compliance Certificate from the PACE Project Administrator. The PACE Act further requires an energy audit in certain circumstances.

Energy Audit

An evaluation of the existing water or energy use and a modeling of expected monetary savings are required for any proposed energy efficiency improvement, renewable energy improvement, or water use improvement, unless the water use improvement is undertaken to improve water quality. Record owners may work with PACE Project Administrators to satisfy this statutory requirement.

Smart Energy Design Assistance Center, an applied research program at the University of Illinois at Urbana-Champaign (“[SEDAC](http://www.smartenergy.illinois.edu)”), provides technical assistance to help building managers, owners, and administrators make their facilities more energy efficient. SEDAC’s mission is to decrease the energy footprint of the state of Illinois and beyond. Record owners and PACE Project Administrators may select SEDAC to complete the evaluation and modeling of their respective PACE Project. More information is posted on the following website: www.smartenergy.illinois.edu.

Property Valuation

Each record owner must demonstrate the value of the applicable property for any prospective financing or refinancing, or interim financing, of a PACE Project. Such value may be determined by the greater of the following:

- the value of the property as determined by the office of the county assessor; or
- the value of the property as estimated in an appraisal report prepared or co-signed by a general real estate appraiser certified by the State.

Values determined by township assessors, multi-township assessors, county supervisors of assessments, boards of review, and boards of appeals are not specifically enumerated in the PACE Act as acceptable for any prospective financing or refinancing, or interim financing, of a

PACE Project. Each PACE Project Administrator may establish requirements for an acceptable appraisal report, including maximum terms of validity, in addition to those set forth above.

Capital Provider Term Sheet

Each record owner must have an executed term sheet with a capital provider. For any prospective PACE Project that lacks a commitment from a capital provider for financing or refinancing, record owners are encouraged to visit www.IFApace.com for a listing of approved capital providers and their respective contact information.

Authority Application

Capital providers that have executed a term sheet with a record owner must complete and apply to the Authority for the proposed financing or refinancing, or interim financing, of the PACE Project. Application forms are posted on the following website: www.IFApace.com.

The Authority generally processes applications within 10 business days following the submission of a completed application. Upon approval by the Authority, such application will be deemed approved by the PACE Area Administrator.

Compliance Certificate

The PACE Project Administrator must undertake the following actions prior to the PACE Area Administrator submitting an assessment contract and assignment agreement to an Authorized Officer for execution:

- i. make the determination that the property to be assessed is entirely within the PACE Area;
- ii. have received evidence of all the enumerated items in Section 25(c) of the PACE Act and Section 25(d) of the PACE Act; and
- iii. execute and deliver to the PACE Area Administrator a Compliance Certificate as to the matters set forth in clauses (i) and (ii) and a representation and warranty that such PACE Project Administrator is in compliance with its duties and obligations as a program administrator of the IFA PACE Program. The Compliance Certificate shall be in substantially the form attached to the PACE Handbook.

Upon receipt of the PACE Project Administrator's Compliance Certificate, the PACE Area Administrator will facilitate the execution and delivery of the applicable assessment contract and related assignment agreement by any one of the Authorized Officers. PACE Project Administrators are encouraged to provide the Governmental Unit a reasonable amount of time for such execution and delivery to occur prior to the scheduled closing of any financing or refinancing, or interim financing, of a PACE Project approved under the IFA PACE Program.

Forms of Assessment Contract and Assignment Agreement

Each assessment contract between the Governmental Unit and any record owner located in the PACE Area will be in substantially the form attached hereto as Appendix A. Each related assignment agreement between the Governmental Unit and the Authority assigning the

assessment contract to the Authority as collateral for any financing or refinancing, and interim financing, will be in substantially the form attached hereto as Appendix B.

The exhibit and schedules included with each assessment contract will reflect the actual terms and conditions governing that particular financing or refinancing and assessment as agreed between the record owner and the PACE Project Administrator. The form of the body of the assessment contract is standardized and will not be subject to change.

Each PACE Project Administrator will record or cause to be recorded each assessment contract and related assignment agreement with the applicable county clerk or county recorder in which the applicable property is located as a lien on such property, until the assessment, including any interest, penalty, and prepayment fee, is paid in full. The lien has the same priority as real estate property taxes and other special assessment liens.

Pursuant to each standardized assessment contract, each record owner agrees to indemnify, defend, protect, and hold harmless the participants in the IFA PACE Program, including the Governmental Unit, from and against all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all out-of-pocket litigation costs and attorney's fees) and any demands of any nature related directly or indirectly to, or arising out of or in connection with (i) the record owner's participation in the IFA PACE Program, (ii) the assessment and the assessment obligations, (iii) the PACE Project, or (iv) any other fact, circumstance or event related to the subject matter of such assessment contract, regardless of whether such claims accrue before or after the date of its execution.

Plan of Finance

Execution and delivery of an assessment contract and related assignment agreement by an Authorized Officer and the satisfaction or waiver of all conditions is required to consummate any financing or refinancing, or interim financing, of a PACE Project approved under the IFA PACE Program.

Long-Term Financing

To fund a PACE Project with long-term financing, the Authority will issue bonds or notes to be purchased by a capital provider (or its designated transferee(s)).

With limited exceptions, each bond and note financing is structured as a direct purchase by the capital provider that originated the financing or refinancing of the related PACE Project (or PACE Projects in the case of pooled financings). Any transfer of bonds or notes is conditioned upon the receipt by the Authority of an investor letter substantially in the form approved by the Authority or with such changes thereto as are agreed upon by the Authority.

Record owners or PACE Project Administrator may also arrange for an underwriter or placement agent to facilitate the public offering or limited public offering of the Authority's bonds or notes to fund a PACE Project. Such financing structures in the capital markets can add legal costs due to the additional marketing documents that must be crafted to facilitate the sale of the bonds or notes to long-term investors.

Any proceeds of any bond or note issued by the Authority and used by a record owner to fund the acquisition, construction, installation, or modification of a PACE Project at closing must comply with the prevailing wage requirements and reporting obligations of the State (just as with any bond or note otherwise issued by a county or municipality).

Interim Financing

To fund a PACE Project with interim financing provided by a warehouse fund established by a capital provider, the Authority will assign the assessment contract to the applicable capital provider or its transferee as collateral for such interim financing for up to 36 months pursuant to a Master Warehouse Agreement. Upon re-assignment of the assessment contract, the Authority will issue bonds or notes to refinance any interim financing that has been provided by such warehouse fund.

Pursuant to the PACE Act, the Governmental Unit or the Authority may also establish a warehouse fund to assist record owners with the interim financing of one or more PACE Projects. Any proceeds of any warehouse fund established by the Governmental Unit or the Authority and used by a record owner to fund the acquisition, construction, installation, or modification of a PACE Project at closing must comply with the prevailing wage requirements and reporting obligations of the State.

Billing and Collecting

Assessments may be included in the regular property tax bills of the county in which a property is located or the Governmental Unit, the PACE Project Administrator, or third-party servicer may bill and collect the assessment amount.

Payment received by mail and postmarked on or before any required due date is not delinquent. From and after the due date of any installment of an assessment, an additional rate of interest of 1 1/2% per month may be imposed with respect to the delinquent amount of such installment, which shall be payable to the applicable capital provider, PACE Project Administrator, or third-party servicer as set forth in the applicable bill.

IFA Municipal Choice PACE Program

For assessments imposed by municipalities, it is anticipated that each capital provider or PACE Project Administrator will directly bill and collect assessments to record owners or indirectly bill and collect assessments through a third-party servicer to record owners. As a result, capital providers keep 100% of any default interest and always have the legal option to pursue a default remedy through either the regular county tax sale process or through an accelerated judicial foreclosure under the State's Municipal Code.

If an assessment becomes delinquent during any year, the applicable capital provider, PACE Project Administrator, or third-party servicer shall, on or before the date in such year required by the county in which the PACE area is located, make a report in writing to the general office of the county in which the applicable property subject to the assessment is situated and authorized by the general revenue laws of this State to apply for judgment and sell lands for taxes due the

county and the State, of the assessments or installments thereof the applicable capital provider, PACE Project Administrator, or third-party servicer has billed for and not received as required under the applicable bill, including any interest or penalties that may be due as set forth in the applicable assessment contract.

Such report shall be certified by the applicable capital provider, PACE Project Administrator, or third-party servicer and shall include statements that (i) the report contains true and correct list of delinquent assessments that the capital provider, PACE Project Administrator, or third-party servicer has not received as required by the applicable bill and (ii) an itemization of the amount of the delinquent assessment, including interest and penalties, if applicable. The report of the applicable capital provider, PACE Project Administrator, or third-party servicer, when so made, shall be prima facie evidence that all requirements of the law in relation to making the report have been complied with and that the assessments or the matured installments thereof, and the interest thereon, and the interest accrued on installments not yet matured, mentioned in the report, are due and unpaid.

Upon proper filing of such report, at the direction of the applicable capital provider, PACE Project Administrator, or third-party servicer, the PACE Act mandates that the county collector shall enforce the collection of the assessments in the manner provided by law.

IFA County Advantage PACE Program

For assessments imposed by counties, please refer to the PACE Handbook for any billing and collecting preferences as the county collector of the county in which the applicable property is located may elect to bill and collect assessments with the regular property tax bills of the county.

User Fees

At no time will the PACE Area Administrator be a party to negotiations of any proposed financing and assessment fees between a record owner and the PACE Project Administrator. The fees and costs described below, which may be added to the assessment, are anticipated to be in excess of the closing costs and the costs of issuance of the bonds or notes issued by the Authority, including, without limitation, bond counsel fees, PACE Project Administrator fees, capital provider fees, reserves, trustee fees, title insurance fees, capitalized interest, and prepaid servicing fees.

Governmental Unit

The PACE Ordinance prescribes the fee payable to the Governmental Unit for entering into an assessment contract with any record owner, payable on or before the closing date of any related financing or refinancing that has been approved under the IFA PACE Program, unless such fee is otherwise waived by the Governmental Unit on a case-by-case basis. The applicable PACE Project Administrator shall be responsible for collecting and remitting such fee to the Governmental Unit.

Illinois Finance Authority

The PACE Handbook prescribes the fee payable to the Authority for any financing or refinancing, or interim financing, of a PACE Project.

PACE Area Administrator

The PACE Handbook prescribes the fee payable to the PACE Area Administrator for any financing or refinancing, or interim financing, of a PACE Project.

As of the date hereof, services of the PACE Area Administrator are free of charge.

APPENDIX A

Form of Assessment Contract

THIS INSTRUMENT WAS PREPARED BY:

RETURN TO:

(THE ABOVE SPACE FOR RECORDER'S USE ONLY)

**[INSERT NAME OF VILLAGE/CITY/COUNTY/TOWN], ILLINOIS
PACE PROGRAM**

ASSESSMENT CONTRACT

THIS ASSESSMENT CONTRACT (this “Contract”), dated as of the Effective Date (as defined below), is by and between the [INSERT NAME], Illinois, a [village/city/county/town] duly organized and validly existing under the Constitution and the laws of the State of Illinois (the “Governmental Unit”), and the person or persons as the titleholder or owner of the beneficial interest set forth on Exhibit A (the “Record Owner”) in the property described on Exhibit A (the “Property”).

RECITALS

WHEREAS, the Governmental Unit has conducted the proceedings required by Section 15 of the Property Assessed Clean Energy Act, 50 ILCS 50/1 et seq. (the “Act”), and established a property assessed clean energy program (the “PACE Program”) within the jurisdictional boundaries of the Governmental Unit (the “PACE Area”) to allow the financing or refinancing of certain “energy projects” (as defined in the Act), funded through the sale of bonds, subject to the Act or alternatively, through the sale of bonds pursuant to subsection (d) of Section 825-65 of the Illinois Finance Authority Act, 20 ILCS 3501/801-1 et seq. (the “Authority Act”) and the Act, which bonds will be secured through the levy of certain special assessments pursuant to “assessment contracts” (as defined in the Act) on property (as defined in the Act) benefitted by such energy projects;

WHEREAS, the Act provides that a “record owner” (as defined in the Act) of property within the PACE Area may apply to the Governmental Unit or its “program administrator” (as defined in the Act) to facilitate access to capital to provide funding for an energy project and that the Governmental Unit may enter into an assessment contract with a record owner of property to finance or refinance one or more energy projects on the property, which assessment contract

provides for the repayment of the financed amount of the cost of an energy project through assessments on the property benefitted;

WHEREAS, the Property is located in the PACE Area established by the Governmental Unit as of the last date entered with the signatures of the parties below (the “Effective Date”);

WHEREAS, the Record Owner has requested the Governmental Unit enter into this Contract and the Governmental Unit has verified the information required by Section 25(c) of the Act as further described herein;

WHEREAS, [INSERT NAME AND CORPORATE DESIGNATION OF PROGRAM ADMINISTRATOR], is authorized to act as a program administrator (together with any successors thereto, the “Program Administrator”) for the PACE Program as it pertains to this Contract;

WHEREAS, the Record Owner has completed an application (the “PACE Project Application”) for financing under the PACE Program (“PACE Funding”) for the energy project, including the acquisition, construction, installation, and modification thereof, described in Exhibit A (the “Project”) and has satisfied the PACE Program requirements, including without limitation, obtaining a written consent from any and all holders of mortgages recorded against the Property, and the Program Administrator has issued an approval of the Record Owner’s PACE Project Application, all in accordance with the PACE Program guidelines administered by the Program Administrator with respect to the PACE Program and in effect on the Effective Date (the “Program Guidelines”);

WHEREAS, the Program Administrator and the Record Owner may request that the Illinois Finance Authority, a body politic and corporate duly organized and validly existing under and by virtue of the laws of the State of Illinois (the “Authority”), finance or refinance the Project through the sale of bonds pursuant to subsection (d) of Section 825-65 of the Authority Act, and if applicable, that a Warehouse Fund (as defined in the Act) provide interim financing prior to the issuance of bonds by the Authority; and

WHEREAS, pursuant to the Act, the Governmental Unit and the Record Owner desire to enter into this Contract, pursuant to which the Record Owner will agree to pay the assessment in order to finance or refinance the Project and the Governmental Unit may agree to assign this Contract in furtherance of providing financing for the Project.

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

AGREEMENT

Section 1. Purpose. The Record Owner and the Governmental Unit are entering into this Contract for the purpose of financing or refinancing the Project.

Section 2. The Property. This Contract relates to the Property. The Record Owner has provided to the Governmental Unit sufficient evidence that the Record Owner is the

titleholder or owner of the beneficial interest in the Property and possesses all legal authority necessary to execute this Contract.

Section 3. Assessment; Bonds; Installment; Prepayment; Collection.

(a) *The Assessment.* The Record Owner hereby freely and willingly agrees that a special assessment (the “Assessment”) in the amount specified in Schedule I (the “Assessment Amount”) shall be levied by the Governmental Unit on the Property pursuant to the Act. The Assessment Amount includes an amount to pay all or a portion of the costs of (i) the Project, (ii) the Program Fees (including costs of issuance of Bonds and, if applicable, closing under the Warehouse Fund), Capital Provider Fees and Other Fees if so specified in Schedule I, (iii) capitalized interest on Bonds or, if applicable, the Warehouse Fund, if so specified in Schedule I, and (iv) funding any required debt service reserve or other reserve, if so specified in Schedule I (collectively, the “Financing Purposes”). The Record Owner acknowledges and agrees that the Assessment Amount does not exceed the special benefit conferred on the Property by the Financing Purposes thereon.

(b) *Bonds.* The Governmental Unit hereby determines that bonds, which may be serial bonds, term bonds or both, shall be issued (i) by the Governmental Unit pursuant to the Act or (ii) upon assignment of this Contract to the Authority, by the Authority pursuant to the Authority Act, all in accordance with the Act (the “Bonds”) and shall be secured by the Assessment to pay the cost of the Financing Purposes, and that, if applicable, interim financing prior to the issuance of Bonds may be provided through a Warehouse Fund by assignment of this Contract thereto.

(c) *Interest; Assessment Installments.* Interest on the Assessment Amount shall begin to run from the date the Bonds are issued or, if applicable, interim financing from the Warehouse Fund is issued, and shall be computed at the rate specified in Schedule I. The payment of the Assessment shall be in annual installments of the Assessment Amount and the interest thereon (the “Assessment Installments”) as set forth in Schedule I.

(d) *Collection.* The annual Assessment Installment, plus the Assessment Administrative Fee (the “Annual Assessment Amount”) coming due in any year shall be payable in the same manner and at the same time and in the same installments as the general taxes on the Property are payable or as otherwise provided in Schedule I attached hereto, and have the same priority, become delinquent at the same time and in the same proportionate amounts as the general taxes on the Property, and bear the penalties and interest after delinquency as set forth in the Act. The Annual Assessment Amount may be included in the regular property tax bills of the county in which the Property is located or the Governmental Unit, the Program Administrator or another third party may bill and collect the Annual Assessment Amount. Property Owner represents that all mortgagees to the Property have, in advance of the Effective Date, been provided notice of the imposition of the Assessment and have consented to the Assessment and Annual Assessment Amount in the amounts described on Schedule I.

(e) *Assessment Administrative Fees.* In addition to the Assessment Installments, the Governmental Unit or any Assignee (as defined below) may (or may direct the Program Administrator or another third party on behalf of the Governmental Unit or any such Assignee,

as the case may be, to), in accordance with the Act, add thereto amounts in order to pay for the costs of collecting the Assessment (including any and all costs of enforcement, including foreclosure or other remedies for default on the Assessment), the administration of the Assessment, the administration of the Bonds or the Warehouse Fund, other administrative costs and any amounts the Record Owner may owe for indemnification as set forth in Section 12 hereto (the "Assessment Administrative Fee"). Schedule I shows the estimated scheduled Assessment Administrative Fees, however such estimated Assessment Administrative Fees might increase if the costs of collecting the Assessment or administering the Program increase. The Record Owner agrees to pay actual scheduled Assessment Administrative Fees, which may be higher than such estimates, as well as any other Assessment Administrative Fees.

(f) *Prepayment of the Assessment.* The Assessment Amount may be prepaid, in whole or in any amount at least equal to the minimum set forth in Schedule I, at any time upon the payment of (i) the amount of any delinquent Annual Assessment Amounts, together with any interest and penalties accrued to the date of prepayment, plus (ii) the whole or, subject to the minimum amount set forth in Schedule I, a portion of the unpaid non-delinquent Assessment Amount (the "Assessment Prepayment Amount"), plus (iii) interest on the Assessment Prepayment Amount to the redemption date occurring at least [30] days following the date the prepayment is made, plus (iv) an amount equal to the redemption premium, if any, set forth on Schedule I, plus (v) a reasonable fee, if charged by the Governmental Unit or any Assignee or the Program Administrator or another third party on its behalf, for the cost of administering the prepayment, if applicable, and the redemption of Bonds, plus (vi) any other due and outstanding or accrued Assessment Administrative Fees.

(g) *No Reduction or Offset.* The Record Owner hereby acknowledges and agrees that the Assessment will not be subject to reduction, offset or credit of any kind in the event that the Project fails to perform in any way or for any reason.

(h) *No Acceleration; Survival.* Amounts due under the Assessment will not accelerate upon a default or late payment or enforcement of remedies under this Contract and the Assessment, the lien thereof and the obligation to pay Assessment Obligations when they become due shall survive any such event and continue until paid in full.

Section 4. Record Owner's Representations and Warranties

The Record Owner represents and warrants to the Governmental Unit and each Assignee, which representations and warranties shall be true and correct as of the Effective Date and at all times thereafter as follows:

(a) *Organization and Authority.* The Record Owner, if a legal entity, is duly organized, validly existing and in good standing in the state of its organization and with authority to do business under the laws of the State of Illinois. The Record Owner has all necessary power and authority to own the Property and to conduct its business and enter into the transactions contemplated hereby. The Record Owner has the right to enter into and perform this Contract, and the execution, delivery and performance of this Contract and each and every document specified in the List of Documents contained in Exhibit A executed in connection herewith (collectively, the "Transaction Documents") have been duly authorized, executed and delivered

and constitute valid and binding obligations of the Record Owner, each enforceable in accordance with its terms, and will not violate any applicable law or result in the creation of a lien against the Property except as contemplated by this Contract.

(b) *Financial Statements.* All financial statements delivered to the Governmental Unit or the Program Administrator are true and correct, have been prepared in accordance with United States generally accepted accounting principles consistently applied, fairly represent the financial condition of the Record Owner as of the date thereof, and no material adverse change has occurred in the financial condition presented therein since such date.

(c) *No Litigation.* There are no actions, suits or proceedings pending or, to the knowledge of the Record Owner, threatened, against or affecting it or the Property which could materially adversely affect the Record Owner, its financial condition, the Property or the construction of the Project or the Record Owner's ability to satisfy its obligations under this Contract and any of the Transaction Documents, if applicable except as noted in Schedule II attached herein.

(d) *Title.* The Record Owner has good and insurable title to the Property. Except as set forth on Schedule II ("Permitted Liens"), there are no involuntary liens on the Property, including, but not limited to, construction or mechanics liens, *lis pendens* or judgments against the Record Owner, environmental proceedings, or eminent domain proceedings.

(e) *Property-Based Debt; Taxes.* The Record Owner is not in default, and has received no notices of default, under any property-based debt that has not been otherwise cured. The Record Owner is current on all mortgage debt on the Property, has not had an Insolvency Event in the last two (2) years from the Effective Date, and the Property is not the subject of any Insolvency Event. There are no delinquent taxes, special assessments, or water or sewer charges on the Property. There are no delinquent assessments on the Property in a property assessed clean energy program (including the Program).

(f) *Compliance With Laws.* The Record Owner has complied with, and will continue to comply with, all applicable statutes, regulations and ordinances in connection with the Property and construction of the Project. All permits, consents, approvals and authorizations required to be issued by any governmental body (collectively, the "Permits") necessary for (a) the construction of the Project in accordance with the plans and specifications (together, the "Plans") submitted by the Record Owner; (b) the construction, connection and operation of all utilities necessary to service the Project; and (c) the construction and use of all roadways, driveways, curb cuts and other vehicular or other access to and egress from the Project, as shown on the Plans either (i) have been obtained, are valid, are in full force and effect and have been complied with by the Record Owner in all respects; or (ii) will be obtained, will be valid, will be in full force and effect prior to the initiation of construction of the Project, and Record Owner will be in compliance therewith in all respects prior to any "permitted assignee" (as defined in the Act), including any bond trustee or "capital provider" (as defined in the Act) to which this Contract has been assigned (the "Assignee") disbursing any Bond proceeds or interim financing provided by a Warehouse Fund, if applicable. Construction of the Project in accordance with the Plans will comply with applicable zoning, use, building or other applicable codes, laws, regulations, ordinances and Permits and any restrictive covenants affecting the Property.

(g) *Approval of Plans and Budgets.* Any Plans submitted will be a true and accurate reflection of the Project (when completed) and have been approved as required by all governmental bodies or agencies having jurisdiction over the Project or will be approved prior to the first disbursement request. The budget for construction of the Project (the “Budget”) is an accurate current budget of all costs necessary to construct the Project in accordance with the Plans and is attached to the construction contract(s) to which the Record Owner is a party and described on Exhibit A pertaining to the construction and installation of the Project (the “Construction Contract”). The cost of construction of the Project is not expected to exceed the cost therefor set forth in the Budget. The Record Owner is responsible for any costs in excess of the Budget.

(h) *Contractors.* All work requiring a license under any applicable law to acquire, construct, install, or modify the Project has been and will be performed by licensed contractors that have agreed to adhere to the Governmental Unit’s or the Program Administrator’s terms and conditions. All such contractors have signed a written acknowledgment that the Governmental Unit or its Program Administrator will not authorize final payment to such contractor until the Governmental Unit or the Program Administrator has received written confirmation from the Record Owner that the Project was properly acquired, constructed, installed or modified and is operating as intended.

(i) *Mortgage Holder Consent.* The Record Owner represents and warrants that the Record Owner has (i) disclosed to the Governmental Unit or the Program Administrator, the identities of all persons, if any, that hold mortgage liens against the Property (whether recorded or unrecorded) that may be affected by the Assessment; (ii) has obtained and delivered to the Governmental Unit or the Program Administrator the written consent of all such persons to the Assessment, which consent complies with the requirements of the Act; and (iii) to the Record Owner’s knowledge, no such consent has been withdrawn or revoked.

(j) *Insurance.* The Record Owner has provided to the Governmental Unit or the Program Administrator satisfactory evidence of current insurance policies on the Property. Such policies shall meet the specifications set forth in accordance with the Program Guidelines but, notwithstanding such specifications, to the extent Bonds are issued under the Authority Act, the Authority and any Bond Trustee, and, to the extent any interim financing is provided, any Warehouse Fund shall be named as an additional insured (mortgagee/loss payee) on all insurance policies required hereunder.

(k) *PACE Project Application.* All representations, warranties, statements, exhibits, instruments and other documents contained in or included as a part of the PACE Project Application are true, correct and complete as of the Effective Date. The Project constitutes an “energy project” and the Property constitutes “property” as each term is defined in the Act.

(l) *No Impairment.* No fraud, error, omission, misrepresentation, negligence or similar occurrence with respect to the Property, Plans, Budget, Construction Contract or Project has taken place on the part of the Record Owner or any other person, including, without limitation, any appraiser, title company, closing or settlement agent, realtor, builder or developer or any other party involved in the Property, Plans, Budget, Construction Contract or Project, that would impair in any way the rights of the Governmental Unit, any Assignee or any Warehouse

Fund in the Property, Plans, Budget, Construction Contract or Project or that violated applicable law.

(m) *Environmental Matters.* Except as shown on Schedule III attached hereto (the “Environmental Schedule”), there are no underground storage tanks located on the Property; there is no past or present non-compliance with environmental laws, or with permits issued pursuant thereto, in connection with the Property (which has not been fully remediated in accordance with environmental laws); there is no environmental remediation required (or anticipated to be required) with respect to the Property; and Record Owner does not know of, and has not received, any written or oral notice or other communication from any person (including but not limited to a governmental entity) relating to hazardous substances or remediation thereof, of possible liability of any person pursuant to any environmental law, other environmental conditions in connection with the Property, or any actual or potential administrative or judicial proceedings in connection with the foregoing.

(n) *Property Value.* The aggregate amount to be financed or refinanced hereunder and any other assessment contract related to the Property does not exceed 25% in relation to the greater of (i) the value of the Property as determined by the office of the applicable county assessor; or (ii) the value of the Property as determined by an appraisal conducted by a licensed appraiser.

Section 5. Record Owner Covenants

The Record Owner hereby covenants and agrees as follows:

(a) *Maintenance of Property.* The Record Owner shall, at all times, maintain the Property and, after construction, the Project. The Record Owner shall pay when due all taxes, assessments (including the Assessment), water charges, sewer charges and all other charges levied on or against the Property, and upon written request, submit to the Governmental Unit or any Assignee or any third party acting on their behalf official receipts evidencing such payments.

(b) *Construction Start and Completion.* The Record Owner shall commence construction of the Project and shall diligently proceed with construction of the Project in accordance with the approved Plans and Budget and in a good, substantial and workmanlike manner in accordance with the Construction Contract and all applicable laws, ordinances, codes, rules and regulations. [Construction of the Project shall be completed on or prior to the Outside Completion Date as defined in Exhibit A]*.

(c) *Protection Against Liens.* Except for any Permitted Liens, the Record Owner shall promptly pay and discharge all claims for labor performed and material and services furnished in connection with construction of the Project, and take all other steps necessary to prevent the assertion of claims or liens either against the Property or the Project, other than (i) the claims and lien provided herein, (ii) liens, if any, for taxes imposed by any governmental authority not yet due or delinquent, and (iii) such other title and survey exceptions as the

* **Drafting Note:** The bracketed language can be removed for refinancings of completed Projects, or to the extent an Outside Completion Date is not required by a capital provider.

Governmental Unit (or its Assignee, as applicable) or any Assignee or any third party acting on their behalf has approved or may approve in writing in its sole discretion.

(d) *Periodic Reports/Certifications.* Upon request by the Governmental Unit or any Assignee or any third party acting on their behalf during the period construction of the Project begins on the Property until the Project has been accepted as completed pursuant to the terms of the Construction Contract, the Record Owner shall provide to the Governmental Unit or any Assignee or any third party acting on their behalf a written statement, certified as true, correct and complete, setting forth the status of the Project, including an updated schedule for completion of construction of the Project. Such certification shall be in such form and with such detail as the Governmental Unit or any Assignee or any third party acting on their behalf shall specify and may be included in completion certificate(s) as set forth in the Program Guidelines.

(e) *Notice of Claims; Adverse Matters.* The Record Owner shall promptly notify the Governmental Unit or any Assignee or any third party acting on their behalf in writing of any potential Insolvency Event and all pending or threatened litigation or other matters that may materially and adversely affect the Property or Record Owner's ability to meet its obligations under the Transaction Documents or otherwise with respect to the Financing Purposes. "Insolvency Event" shall mean the Record Owner has (i) consented to the appointment of a conservator or receiver or liquidator in any insolvency, bankruptcy, readjustment of debt, marshalling of assets and liabilities or similar proceeding relating to the Record Owner or relating to all or substantially all of such Record Owner's property, (ii) failed to pay its debts as they become due and such failure has not been cured within thirty (30) days of the event; (iii) admitted in writing its inability to pay its debts as they become due, (iv) filed a petition to take advantage of any applicable insolvency or reorganization statute, (v) made an assignment for the benefit of its creditors, (vi) filed against it a petition for involuntary bankruptcy or some other involuntary insolvency proceeding which is not dismissed within thirty (30) days, or (vii) voluntarily suspended payment of its obligations.

(f) *Waiver and Release of Claims Against Governmental Unit, the Program Administrator, the Authority and Related Parties.* For and in consideration of the Governmental Unit's execution and delivery of this Contract and the Authority and, if applicable, the Warehouse Fund providing capital to finance the Project, Record Owner (for itself and for any successor-in-interest to the Property and for anyone claiming by, through or under Record Owner, including without limitation, heirs, personal representatives, mortgagees and transferees), hereby waive the right to recover from the Governmental Unit, the Authority, the Warehouse Fund, any other Assignee, the Program Administrator and another third party acting on behalf of the Governmental Unit, the Authority, the Warehouse Fund and any other Assignee, any owner of the Bonds, any bond trustee, any placement agent and any and all members, officers, officials, agents, employees, attorneys and representatives of any of them, as well as their successors and assigns (collectively, the "Financing Parties"), and fully and irrevocably release the Financing Parties from, any and all claims, obligations, liabilities, causes of action, set-offs or damages (including attorneys' fees and court costs), that Record Owner may now have or hereafter acquire against any of the Financing Parties and accruing from or related to (i) this Contract, (ii) the disbursement of Bond proceeds or interim financing provided by a Warehouse Fund, if applicable, (iii) the levy and collection of the Assessment, (iv) the imposition of the lien of the Assessment, (v) the performance of the Project, (vi) the Project, (vii) any damage to or

diminution in value of the Property that may result from construction or installation of the Project, (viii) any injury or death that may result from the construction or installation of the Project, (ix) the selection of manufacturer(s), dealer(s), supplier(s), contractor(s) and/or installer(s), and their action or inaction with respect to the Project, (x) the merchantability and fitness for any particular purpose, use or application of the Project, (xi) the amount of energy savings, energy production, water conservation or other performance outcomes resulting from the Project or any assured performance guaranty, (xii) the workmanship of any third parties under any agreements including, without limitation, any Construction Contract, and (xiii) any other matter with respect to the PACE Program (collectively, the “Liabilities”).

This release includes claims, obligations, liabilities, causes of action and damages of which the Record Owner is not presently aware or which the Record Owner does not suspect to exist which, if known by the Record Owner, would materially affect Record Owner’s release of the Financing Parties. Notwithstanding the foregoing, Record Owner’s releases under this Section shall not extend to Liabilities arising from any Financing Parties willful misconduct. The Record Owner acknowledges that the Financing Parties established the PACE Program solely for the purpose of facilitating financing of energy projects arranged by owners of commercial property located in the PACE Area. The Financing Parties are not responsible for the selection, management and/or supervision of the Project, the Project’s performance, the Construction Contracts or any assumed performance guaranty. Any issues related to performance of the Project should be discussed with chosen contractors, installers, manufacturers and/or distributors involved with the Project. The waivers and releases by Record Owner contained in this Section shall survive the disbursement of any Bond proceeds, interim financing provided by a Warehouse Fund, if applicable, or any portion thereof, the transfer or sale of the Property by Record Owner and the termination of this Contract.

Notwithstanding the foregoing or anything to the contrary contained in this Contract, the waiver and release provided for in this Section shall not bar the Record Owner, its successors-in-interest to the Property, from bringing an equitable action against the Governmental Unit for specific performance of its duties and obligations under this Contract, or to enjoin or prevent the violation of this Contract thereby, it being understood and agreed, however, that the Financing Parties shall not be liable for money damages or costs of such equitable proceeding except insofar and to the extent such Liabilities arise from their willful misconduct.

(g) *Energy Assessment.*

(i) To the extent the Project consists of an energy efficiency improvement, renewable energy improvement or water use improvement (each as defined in the Act, and except for a water use improvement that is undertaken for water quality), the Record Owner must obtain an assessment and analysis of the energy and/or water conservation impacts for the Project, as applicable (an “Energy Assessment”). The Energy Assessment must assess the existing water and/or energy use of relevant systems, or code baseline usage in the case of new construction and include a modeling of expected monetary savings to be achieved by the Project. To implement this provision, the Record Owner shall obtain an Energy Assessment from a qualified provider approved by the Program Administrator. The cost of the Energy Assessment, as well as the cost of any other third-

party review of the Energy Assessment, may be included in the Assessment Amount (defined in Schedule I).

(ii) Upon completion of the Project, the Record Owner shall submit a post-construction report to the Governmental Unit or the Program Administrator in a form provided by the Program Administrator. This report shall contain:

(1) A statement that Project has been completed in accordance with the Plans and the Transaction Documents, and that the systems are performing as expected; and

(2) Identification and discussion of any substitutions, compromises, or variances between the final Plans and Transaction Documents with the as-built conditions of the Project.

(h) *Property Transfers.* The Record Owner covenants that it will provide the Governmental Unit, any Assignee, the Program Administrator and the capital provider notice of any sale or transfer of interest to fee title in the Property after the Effective Date concurrently with such transfer or sale, and no later than three (3) business days thereafter.

Section 6. Lien; Foreclosure.

(a) *Lien.* The Assessment, in the amount of the Assessment Amount, the interest thereon, the Assessment Administrative Fees, any other amounts due and payable by the Record Owner under this Contract and the Act, and any interest and penalties allowable on any past-due amounts thereof and any indemnification and reimbursement obligations (collectively, the “Assessment Obligations”), shall constitute a lien against the Property until it is paid, which lien shall be coequal to and independent of the lien for general taxes.

(b) *Foreclosure.* The Record Owner acknowledges and agrees that if any portion of the Assessment Obligations is not paid when due, the Governmental Unit shall have all rights and remedies for such non-payment as it does with respect to delinquent property taxes and other delinquent special assessments as set forth in Article 9 of the Illinois Municipal Code, including the lien, sale, and foreclosure remedies described in that Article (“Enforcement Remedy”). Any Assignee shall have and possess the delegable powers and rights at law or in equity as the Governmental Unit would have with respect to an Enforcement Remedy with regard to (i) the precedence and priority of liens evidenced by this Contract, (ii) the accrual of interest, and (iii) the fees and expenses of collection, and shall have the right to enforce such liens through an Enforcement Remedy. The Record Owner acknowledges that the Assignee may obligate itself, through a covenant with the owners of the Bonds, to exercise an Enforcement Remedy with respect to enforcement of delinquent Assessment Obligations under circumstances specified in such covenant.

Section 7. Financing or Refinancing of the Project. The parties hereby agree that the net proceeds of the Bonds or interim financing provided by a Warehouse Fund, if applicable, allocable to the Assessment shall be used to finance or refinance the Project.

Section 8. Term; Contract Runs with the Land; Division.

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

(b) This Contract establishes rights and obligations that are for the benefit of the Property and, therefore, such rights and obligations run with the land.

(c) The obligation to pay the Assessment Obligations is an obligation of the Property and no agreement or action of the Record Owner shall be competent to impair in any way the rights of the Governmental Unit or the Program Administrator or the rights of any Assignee, 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 Obligations or any installment thereof against the Property.

(d) In the event the Property is divided while the Assessment remains unpaid, the unpaid installments of the Assessment Obligations shall be segregated and apportioned by the Governmental Unit or the Assignee or the Program Administrator or a third party acting on its behalf in accordance with a method selected by it in its good faith judgment.

Section 9. Recordation of Documents. The Governmental Unit or the Assignee or the Program Administrator or other third party acting on its behalf shall record or cause to be recorded in the office of the County Recorder this Contract and any other documents required by applicable law or any Assignee to be recorded.

Section 10. Notice. The Record Owner shall provide written notice to any subsequent purchaser of the Property, or a portion thereof, of the obligation to pay the Assessment.

Section 11. Waivers, Acknowledgment and Contract.

(a) Since the Assessment is voluntary and imposed, in accordance with the Act, pursuant to this Contract, the Record Owner hereby waives any requirements otherwise applicable to special assessments under any other provision of Illinois law, for notice or public hearing.

(b) The Record Owner hereby waives its right to appeal or contest the Assessment or to file any lawsuit or other proceeding to challenge the Assessment or any aspect of the proceedings of the Governmental Unit undertaken in connection with the PACE Program. The Record Owner hereby agrees that the Record Owner and its successors in interest to fee title in the Property shall be solely responsible for the installation, operation and maintenance of the Project. The Record Owner hereby acknowledges that the Record Owner and its successors in interest to fee title in the Property will be responsible for payment of the Assessment regardless of whether the Project is properly installed, operated, maintained or performs as expected.

(c) The Record Owner hereby agrees that the Governmental Unit is entering into this Contract solely for the purpose of assisting the Record Owner with the financing or refinancing of the Project, and that neither the Governmental Unit, any Assignee, the Program Administrator nor any third party acting on its behalf has any responsibility of any kind for, and shall have no

liability arising out of, the installation, operation, financing, refinancing, maintenance or performance of the Project. The Record Owner hereby certifies to the Governmental Unit that the Governmental Unit has complied with the provisions of Section 25 of the Act. The Record Owner hereby waives the right to recover from and fully and irrevocably releases the Financing Parties from any and all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees), relating to the subject matter of this Contract that the Record Owner may now have or hereafter acquire against the Financing Parties.

Section 12. Indemnification.

(a) The Record Owner agrees to indemnify, defend, protect, and hold harmless the Financing Parties from and against all losses, Liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all out-of-pocket litigation costs and attorney's fees) and any demands of any nature (collectively "Claims") related directly or indirectly to, or arising out of or in connection with (i) the Record Owner's participation in the PACE Program, (ii) the Assessment and the Assessment Obligations, (iii) the Project, or (iv) any other fact, circumstance or event related to the subject matter of this Contract, regardless of whether such Claims accrue before or after the Effective Date.

(b) The provisions of this Section shall survive the termination of this Contract and payment in full of the Assessment Obligations.

Section 13. Right to Inspect Property. The Record Owner hereby grants the Governmental Unit or any Assignee, the Program Administrator or any third party acting on its behalf, or any owner of the Bonds or any third party acting on its behalf, and their respective agents and representatives the right to enter at any reasonable time, upon reasonable notice, to inspect the Project. The Record Owner further hereby grants such persons the right to examine and copy any documentation relating to the Project.

Section 14. PACE Project Application. The Record Owner hereby represents and warrants to the Governmental Unit, each Assignee and the Program Administrator, that the information set forth in the PACE Project Application submitted to the Governmental Unit or the Program Administrator in connection with its request for PACE Funding is true and correct as of the Effective Date, and that the representations set forth in the PACE Project Application with respect to the Property and the Record Owner are true and correct as of the Effective Date as if made on the Effective Date.

Section 15. Amendment. This Contract may be modified or amended only by the written agreement of the Governmental Unit (or its Assignee, as applicable) and the Record Owner and the consent of the Assignee, if any.

Section 16. Binding Effect; Assignment. This Contract inures to the benefit of and is binding upon the Governmental Unit and the Record Owner and its respective successors and assigns. The Governmental Unit has the right to assign any or all of its rights and obligations under this Contract without the consent of the Record Owner. Each of the Authority (either

directly or via an intermediate assignment), any bond trustee (either directly or via an intermediate assignment), the Warehouse Fund or any other Assignee shall be a “permitted assignee” (as defined in the Act) for any purpose hereunder.

Section 17. Exhibits. Exhibit A, Schedule I, Schedule II and Schedule III attached to this Contract are incorporated into this Contract by this reference as if set forth in their entirety in this Contract.

Section 18. Severability. If any provision of this Contract is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision of this Contract.

Section 19. Corrective Instruments. The Governmental Unit (or its Assignee, as applicable) and the Record Owner, with the consent of the Assignee, if any, shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required in order to carry out the expressed intention of this Contract; provided, however, the prior written consent of the Authority shall be obtained in connection with any such amendment or supplement if Bonds are issued through the Authority, pursuant to subsection (d) of Section 825-65 of the Authority Act; provided, further, however, if applicable, the prior written consent of the Warehouse Fund shall be obtained in connection with any such amendment or supplement if funding by the Warehouse Fund is outstanding.

Section 20. Governing Law: Venue. This Contract shall be construed in accordance with and governed by the laws of the State of Illinois applicable to contracts made and performed in the State of Illinois. This Contract shall be enforceable in the State of Illinois, and any action arising hereunder shall (unless waived by the Governmental Unit in writing) be filed and maintained in the Circuit Court of [INSERT GOVERNMENTAL UNIT’S PREFERRED COUNTY] County; provided, however, that if Bonds are issued through the Authority, such action shall be filed and maintained in the Circuit Court of Cook County; provided, however, that actions to foreclose delinquent installments of the Assessment shall be filed and maintained in the Circuit Court of the County identified in Exhibit A.

Section 21. Counterparts. This Contract may be executed in several counterparts, each of which is an original and all of which constitutes one and the same instrument.

Section 22. Electronic Signatures.

(a) The parties hereto acknowledge and agree that this Contract may be executed by one or more electronic means (“Electronic Signatures”). Each party hereto agrees that Electronic Signatures provided by such party shall constitute effective execution and delivery of this Contract by such party to all other parties to or relying on this Contract. Each party hereto agrees that Electronic Signatures shall constitute complete and satisfactory evidence of the intent of such party to be bound by those signatures and by the terms and conditions of this Contract as signed. Each party hereto agrees that Electronic Signatures shall be deemed to be original signatures for all purposes.

(b) Each party hereto agrees to accept Electronic Signatures provided by any and all other parties to this Contract as (i) full and sufficient intent by such parties to be bound hereunder, (ii) effective execution and delivery of this Contract, and (iii) constituting this Contract an original for all purposes, without the necessity for any manually signed copies to be provided, maintained or to exist for back up or for any other purpose.

(c) If Electronic Signatures are used to execute this Contract, each party hereto hereby accepts the terms of, and intends and does sign, this Contract by its Electronic Signature hereto.

Section 23. Transaction Documents.

(a) The Record Owner acknowledges and agrees that the entire agreement between Record Owner and the Governmental Unit includes the Transaction Documents.

(b) By executing this Contract, the Record Owner acknowledges and agrees that:

(i) The Record Owner has had sufficient time to review and has reviewed each of the Transaction Documents and has had the opportunity to ask any questions of the Governmental Unit, the Program Administrator, or the Assignee that Record Owner may have regarding such Transaction Documents;

(ii) The Record Owner acknowledges receipt of and has reviewed, understands and agrees to each and every additional requirement and term contained in the Program Guidelines; and

(iii) The Record Owner has reviewed, understands, agrees to and affirms each and every representation and warranty contained in the Record Owner's PACE Application and the Program Guidelines.

Section 24. Execution and Return of Contract. The Record Owner must execute and return this Contract to the Governmental Unit or the Program Administrator at the address set forth in the "Notice Information" section of Exhibit A so that it is received by the Governmental Unit or the Program Administrator not later than the expiration date set forth on Exhibit A. If the Record Owner fails to return this Contract so executed to the Governmental Unit or the Program Administrator by the expiration date, the Governmental Unit reserves the right to require the Record Owner to enter into a new Contract. The signature of each person signing as or on behalf of the Record Owner must be notarized by a duly licensed notary unless executed by Electronic Signatures.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Governmental Unit and the Record Owner have caused this Contract to be executed in their respective names by their duly authorized representatives, all as of the Effective Date.

Record Owner:

[INSERT FORMAL NAME OF RECORD OWNER]

By:

Name: _____

Title: _____

STATE OF _____)

)
COUNTY OF _____)

I, _____, a notary public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT _____, the _____ of _____, a _____, personally known to me to be the same person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged that ____ signed and delivered the said instrument, pursuant to authority given by said _____, as _____ own free and voluntary act, and as the free and voluntary act of the municipal corporation for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal as of _____, _____.

Notary Public

My Commission Expires: (SEAL)

IN WITNESS WHEREOF, the Governmental Unit and the Record Owner have caused this Contract to be executed in their respective names by their duly authorized representatives, all as of the Effective Date.

Governmental Unit: Authorized
Signatory

Name (*Please Print*)

Signature

Date of Execution

STATE OF ILLINOIS)
)
COUNTY OF COOK)

I, _____, a notary public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT _____, the _____ of the Governmental Unit, a [village/city/county/town] duly organized and validly existing under the Constitution and the laws of the State of Illinois, personally known to me to be the same person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged that ____ signed and delivered the said instrument, pursuant to authority given by said municipal corporation, as _____ own free and voluntary act, and as the free and voluntary act of the municipal corporation for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal as of _____, _____.

Notary Public

My Commission Expires: (SEAL)

EXHIBIT A

RECORD OWNER, DESCRIPTION OF PROPERTY, DESCRIPTION OF PROJECT, TRANSACTION DOCUMENTS, OUTSIDE COMPLETION DATE, IDENTIFICATION OF CIRCUIT COURT, NOTICE INFORMATION AND EXPIRATION DATE

Record Owner: [INSERT FORMAL NAME OF RECORD OWNER]

Description of Property:

[INSERT COMMON PROPERTY STREET ADDRESS]

PINS: [TO BE COMPLETED]

County: [INSERT COUNTY IN WHICH PROPERTY IS LOCATED]

Description of Project:

The Project consists of the following (check all that apply):

___ Energy Efficiency Improvement

___ Alternative Energy Improvement

___ Water Use Improvement

___ Renewable Energy Improvement

___ Resiliency Improvement

Transaction Documents:

[To be Completed]

Outside Completion Date: [To be inserted]

Identification of Circuit Court for Foreclosure Actions:

Expiration Date: [___]

Notice Information:

If to PACE Program:

With a copy to

If to Record Owner:

With a copy to

Legal Description:

[INSERT FORMAL PROPERTY LEGAL DESCRIPTION]

SCHEDULE I

TERMS OF ASSESSMENT AND SCHEDULE OF ANNUAL ASSESSMENT AMOUNTS, INCLUDING PRINCIPAL, INTEREST AND ESTIMATED ASSESSMENT ADMINISTRATIVE FEES

Terms of the Assessment

Closing Date: [_____]

Redemption Dates: [June 1 and December 1]

Interest Rate: [____]

Term: [____]

Prepayment: The Assessment may be prepaid, in whole or in part, as described in Section 3(f) of this Contract and as set forth below:

(i) In the event the Project is completed and the full amount of the Assessment was not utilized to complete the Project such that there are excess proceeds on deposit with respect to the Project remaining after such completion of the Project, then, such excess funds shall be applied as a prepayment of the Assessment and, if applicable, the Bonds shall be redeemed in accordance with the applicable Bond documents. Such prepayment shall not reduce the amount of the Annual Assessment Installments as set forth in Schedule I attached hereto except for the last Annual Assessment Installments to the extent necessary to reflect the application of such prepayment to such last installments. Notwithstanding anything to the contrary contained in this Contract or any of the exhibits or schedules to this Contract, the payment of such excess funds as provided in the first sentence of this clause (i) shall not be subject to any of the requirements of Section 3(f) of this Contract, and it shall not be required that any such payment be made on any particular date, any such payment be subject to a minimum amount or the Minimum Prepayment Amount, or that there be any Redemption Premium paid in connection therewith, as a result thereof or as a condition thereto.

(ii) In the event the Record Owner makes a Prepayment of the Assessment and the Property constitutes more than one parcel (i.e., more than one PINs), the Program Administrator in consultation with the Governmental Unit shall have the right to apply the Assessment Prepayment Amount to one or more of such parcels as determined by the Program Administrator and the Governmental Unit in their sole and absolute discretion such that the Assessment Amount with respect to the parcel or parcels to which the Program Administrator in consultation with the Governmental Unit applies the Assessment Prepayment Amount shall be reduced by the portion of the Assessment Prepayment Amount applied to such parcel or parcels.

Minimum Prepayment Amount: \$[_____]

Redemption Terms:

<u>Prepayment Date</u>	<u>[Redemption] Premium</u>

The Assessment

Annual Assessment Amount: The “Annual Assessment Amount” is the Assessment Installment and Assessment Administrative Fees collectible under this Contract in a given calendar year, and as estimated pursuant to the Schedule of Annual Assessment Amounts below.

Assessment Administrative Fees: The “Assessment Administrative Fees” means, as set forth in Section 3(e) of this Contract, all amounts necessary in order to pay for the costs of collecting the Assessment (including any and all costs of enforcement, including foreclosure or other remedies for default on the Assessment), the administration of the Assessment, the administration of the Bonds or the Warehouse Fund, other administrative costs and any amounts the Record Owner may owe for indemnification as set forth in Section 12 hereto.

Assessment Amount: The initial amount of the Assessment (the “Assessment Amount”) that is the total of all costs, fees, and expenses eligible for financing, as set forth in the chart below and described as follows: the cost of the Project (“Project Cost”), including the cost of materials and labor necessary for installation, permit fees, inspection fees, and other eligible costs, fees and expenses related to the acquisition, construction, installation, or modification of the Project; program administrative fees (“Program Fees), including the costs and fees of the Program or other fees that may be charged to the Record Owner in connection with the application for PACE Funding, the execution of this Contract, the costs of issuance of Bonds by the Governmental Unit or the Authority and the provision of interim financing by the Warehouse Fund; other third-party fees, costs, and expenses (“Other Fees”) that may be incurred by or charged to the Record Owner in connection with the execution of this Contract, the issuance of Bonds and the provision of interim financing, including property specific legal reviews and recording fees; prepaid interest that is capitalized (“Capitalized Interest”); a debt service reserve, if required (“Debt Service Reserve”); and any fees charged by any capital provider purchasing the Bonds upon issuance and Warehouse Fund (“Capital Provider Fees).

Project Cost	\$[_____]
Program Fees	\$[_____]
Other Fees	\$[_____]
Capitalized Interest	\$[_____]
Debt Service Reserve (if required)	\$[_____]
Capital Provider Fees	\$[_____]
Assessment Amount	\$[_____]

[The Assessment shall be allocated among the PINs in the [years and] amounts as set forth

below][in an amendment to this Schedule I which shall be executed when the Bonds are issued or interim financing is provided].² Record Owner consents and agrees to the allocation of the Assessment as set forth below and further agrees that Record Owner shall not have the right to subdivide any parcels of the Property, whether identified by PIN herein or otherwise, without first either (a) prepaying the Assessment in full in accordance with the terms of this Contract, or (b) obtaining the prior written consent of the owners of the Bonds or the Warehouse Fund, as the case may be, which consent may be withheld in their sole and absolute discretion.

Assessment Installment: Each “Assessment Installment” is the annual amount of the Assessment Amount and the interest thereon due under this Contract as further set forth in the Schedule of Annual Assessment Amounts below.

Assessment Obligations: The “Assessment Obligations” include the Assessment Amount, any Assessment Administrative Fees, all Assessment Installments, any interest and penalties allowable on due but unpaid Annual Assessment Amounts, and any other amounts due and payable by the Record Owner under this Contract.

Schedule of Annual Assessment Amounts: The anticipated schedule of Annual Assessment Amounts due under this Contract is set forth below.

² **Drafting Note:** This bracketed language, or a variation thereof, should be used for Properties comprised of more than one tax parcel or PIN, and should be deleted for Properties comprised of only one tax parcel.

[Pin: _____]
Percentage of Project Installed: [_____] %
Assessment Amount: \$[_____]³

[illegible]

*Subject to change as set forth in Section 3(e) of this Contract.

³ **Drafting Note:** This table should be repeated for multi-PIN or tax parcel properties. It may be removed for single-Pin or tax parcel properties.

SCHEDULE II

DISCLOSURES AND EXCEPTIONS; PERMITTED LIENS

[TO BE COMPLETED BY RECORD OWNER, IF ANY]

SCHEDULE III
ENVIRONMENTAL SCHEDULE

[TO BE COMPLETED BY RECORD OWNER, IF ANY]

APPENDIX B

Form of Assignment Agreement

(THE ABOVE SPACE FOR RECORDER'S USE
ONLY)

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this “**IFA Assignment**”) is made and entered into effective as of [INSERT DATE], 20[___] (the “**Effective Date**”), by and between [INSERT NAME OF GOVERNMENTAL UNIT], a [village/city/county/town] duly organized and validly existing under the Constitution and the laws of the State of Illinois (the “**Governmental Unit**”) and the ILLINOIS FINANCE AUTHORITY, a body politic and corporate created and existing under and by virtue of the laws of the State of Illinois (along with its successors and assigns, the “**Authority**,” and, together with the Governmental Unit, each a “**Party**” and collectively the “**Parties**”).

RECITALS

WHEREAS, [Insert Name of Property Owner], a [Insert Corporate Designation] (the “**Property Owner**”) is the owner of certain real property located at [Insert Street Address of Property] (“**Property**”).

WHEREAS, the Property Owner has applied to the Governmental Unit for assistance in financing or refinancing a certain “energy project” (as defined in the Property Assessed Clean Energy Act, 50 ILCS 50/1 et seq., as amended (the “**PACE Act**”)) at the Property (the “**Project**”).

WHEREAS, [INSERT NAME OF PROGRAM ADMINISTRATOR], a [INSERT CORPORATE DESIGNATION], is authorized to act as a program administrator (together with any successors thereto, the “**Program Administrator**”) to administer its property assessed clean energy program (the “**PACE Program**”) within its jurisdictional boundaries (the “**PACE Area**”).

WHEREAS, to finance or refinance the Project, the Governmental Unit and the Property Owner have entered into that certain Assessment Contract dated as of [INSERT DATE], 20[.]

(“**PACE Contract**”) pursuant to which, *inter alia*, (i) the Governmental Unit, through the Program Administrator, has agreed to arrange financing for the Project through the issuance of bonds, (ii) the Property Owner has agreed to repay such financing by consenting to the imposition of an annual assessment on the Property payable in installments (“**Assessment Installments**”), and has agreed to pay certain administrative expenses (“**Assessment Administrative Fees**”), (iii) the Property Owner has consented to the assignment of the PACE Contract to secure any bonds issued to finance the Project, and (iv) the Governmental Unit has agreed to impose such assessment and to direct that the Assessment Installments be paid directly to the Governmental Unit or its designee.

WHEREAS, the Governmental Unit and the Property Owner have requested that the Authority provide financing for the Project, and the Authority has agreed to provide such financing by issuing revenue bonds secured by the PACE Contract (the “**Bonds**”) pursuant to a Master Indenture (the “**Indenture**”) dated as of [_____] among the Authority, [INSERT NAME OF BANK], as trustee (the “**Trustee**”) and [INSERT NAME OF CAPITAL PROVIDER] (the “**Capital Provider**”) and lend the proceeds of such Bonds to the Property Owner in one or more advances to pay, or to reimburse the Property Owner for payment of, the costs of the Project, subject to the terms and conditions contained in the PACE Contract and the Indenture, and as authorized pursuant to [Resolution _____] (the “**PACE Bond Resolution**”) of the Authority authorizing the sale of Bonds to the Capital Provider or its Designated Transferee as defined in the Indenture.

WHEREAS, interim financing through a warehouse fund to be provided by the Capital Provider or the Authority (the “**Interim Financing**”) may be utilized prior to the issuance of the Bonds, and the Authority has approved the use of interim financing pursuant to Resolution No. 2019-0910-CF08.

WHEREAS, as one condition, among others, to issuing the Bonds and, if applicable, utilizing Interim Financing, and lending the proceeds thereof, the Authority requires the Governmental Unit to assign, and the Governmental Unit wishes to assign, all of its rights, title and interest (reserving to itself only the “Reserved Rights” specified herein) in the PACE Contract, including the right to receive Assessment Installments and Assessment Administrative Fees from the Property Owner, to the Authority, subject to and upon the terms and conditions set forth herein, and the Property Owner has consented to such pledge and assignment.

WHEREAS, one condition among others to any Interim Financing provided by the Capital Provider, if applicable, is for the Authority to assign to the Capital Provider its rights, title and interest, other than Reserved Rights, in the PACE Contract until such time as the Bonds are issued.

WHEREAS, pursuant to the Indenture, as security for the Bonds, the Authority will pledge and assign to the Trustee all of its right, title and interest in and to the PACE Contract (other than certain “Authority Reserved Rights” as defined therein), including the right to receive and apply the Assessment Installments, and certain other funds, property and collateral, collectively defined as the “Security” in the Indenture, and the Property Owner has consented to such pledge and assignment.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the mutual promises hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the Governmental Unit and the Authority agree as follows:

Section 1. Assignment and Assumption of PACE Contract. The Governmental Unit hereby assigns to the Authority all of the Governmental Unit’s right, title and interest in and to the PACE Contract, other than its rights to indemnification and payment of Governmental Unit’s costs and expenses, and any rights and obligations of the Governmental Unit to pursue an “Enforcement Remedy” (as defined in Section 6(b) of the PACE Contract) which may be non-delegable as a matter of law, as set forth in the PACE Contract (the “**Reserved Rights**”). The Authority hereby assumes, as of the date hereof, and agrees to perform or cause to be performed all of the Governmental Unit’s obligations under the PACE Contract from and after the date hereof, subject to its right to assign such obligations pursuant to an assignment of the PACE Contract.

Section 2. Governmental Unit’s Representations and Warranties; Disclaimer.

(a) **Representations and Warranties.** The Governmental Unit hereby represents and warrants that, as of the date of this IFA Assignment:

- (i) It is a Governmental Unit duly organized and validly existing under the Constitution and the laws of the State of Illinois and has all necessary power and authority to enter into this IFA Assignment and to assign its rights under the PACE Contract, other than Reserved Rights, to the Authority pursuant hereto;
- (ii) The execution and delivery of this IFA Assignment and the Governmental Unit’s undertakings herein, including assignment of the Governmental Unit’s rights under the PACE Contract, other than Reserved Rights, to the Authority pursuant hereto, have been duly authorized by all necessary action on the part of the Governmental

Unit and will not contravene or violate the Governmental Unit's municipal or county authority;

- (iii) The Governmental Unit has not previously assigned or transferred any of its rights under the PACE Contract.
- (iv) This IFA Assignment and the PACE Contract constitute the legal, valid and binding obligations of the Governmental Unit enforceable in accordance with their respective terms and, upon information and belief, the PACE Contract constitutes the legal, valid and binding obligation of the Property Owner, enforceable in accordance with its terms; except in either case as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, and to the application of equitable principles;
- (v) The execution, delivery and performance by the Governmental Unit of this IFA Assignment and the transactions contemplated hereby: (A) do not contravene any provisions of law applicable to the Governmental Unit; and (B) do not conflict and are not inconsistent with, and will not result (with or without the giving of notice or passage of time or both) in the breach of or constitute a default or require any consent under any applicable court or administrative order or any credit agreement, indenture, mortgage, purchase agreement, deed of trust, security agreement, lease, guarantee or other instrument to which the Governmental Unit or its property may be subject, or the PACE Act; and
- (vi) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to its knowledge threatened, against the Governmental Unit seeking to restrain or enjoin or in any way contesting the validity or enforceability of this IFA Assignment or the PACE Contract.

(b) Disclaimer. Except as set forth in this Section 2, the Governmental Unit (i) has not heretofore made, nor does it make by this IFA Assignment, any representations or warranties with respect to the Property, including any warranty of title or any environmental matters, and (ii) makes no representation or warranty in connection with, and

assumes no responsibility with respect to, the solvency, financial condition or statements of the Property Owner, or with respect to the performance or observance by the Property Owner of its obligations under the PACE Contract.

Section 3. Authority's Representations. The Authority represents that, as of the date of this IFA Assignment, it is a body politic and corporate created and existing under and by virtue of the laws of the State of Illinois and has full power and authority to enter into and to perform its obligations under this IFA Assignment; and when executed and delivered by the respective parties thereto, this IFA Assignment will constitute the legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitation on legal remedies against the Authority.

Section 4. Consideration. The Governmental Unit acknowledges and agrees that the assumption by the Authority of the Governmental Unit's obligations under the PACE Contract and the issuance of the Bonds and the loan to the Property Owner are of substantial benefit to the Governmental Unit as a source of liquidity and financing or refinancing of the Project, and constitute good, valuable, fair and adequate consideration for the Governmental Unit's assignment as contemplated herein.

Section 5. Delivery of Documents.

(a) As a condition to the Governmental Unit's performance of its obligations under this IFA Assignment, the Authority shall have delivered to the Governmental Unit an original of this IFA Assignment, in recordable form, duly executed by the Authority.

(b) As a condition to the Authority's performance of its obligations with respect to this IFA Assignment, the Governmental Unit shall have delivered to the Authority all of the following, in form and substance reasonably satisfactory to the Authority: (i) a certified true and correct copy of the PACE Contract, in recordable form, bearing the original signature(s) of the Property Owner and the Governmental Unit and (ii) an original of this IFA Assignment, in recordable form, duly executed by the Governmental Unit.

(c) As a condition to each Party's performance of its obligations under this IFA Assignment, all of the Authority's, the Governmental Unit's and the Property Owner's respective representations and warranties contained in the PACE Contract and this IFA Assignment, as applicable, shall be true and correct on the date of the execution of this IFA Assignment.

Section 6. Recording of Documents. Upon the execution of this IFA Assignment by both Parties hereto, the Governmental Unit shall direct the Program Administrator to record this IFA Assignment in the office of the Recorder for the County in which the Property is situated.

Section 7. Acknowledgement and Consent to Further Assignment. By execution of this IFA Assignment, the Governmental Unit hereby acknowledges and consents to any assignment of the PACE Contract by the Authority, subject to the Reserved Rights and any reassignment of the PACE Contract.

Section 8. Successors and Assigns. This IFA Assignment shall be binding on, and inure to the benefit of, the parties hereto, their respective successors in interest, and their respective assigns.

Section 9. Governing Law; Submission to Jurisdiction. This IFA Assignment shall be governed exclusively by and construed in accordance with the internal laws of the State of Illinois applicable to contracts to be wholly performed therein. This IFA Assignment shall be enforceable in the State of Illinois, and any action arising hereunder shall (unless waived by the Authority in writing) be filed and maintained in the Circuit Court of Illinois, County of Cook.

Section 10. No Effect on PACE Contract. Nothing in this IFA Assignment, express or implied, is intended to or shall be construed to modify, expand, or limit in any way the terms of the PACE Contract. To the extent that any provision of this IFA Assignment conflicts or is inconsistent with the terms of the PACE Contract, the PACE Contract will govern. All terms not defined herein shall be given the meaning ascribed to such terms in the Indenture.

Section 11. Amendment. This IFA Assignment may not be modified or amended, except in writing executed by both Parties.

Section 12. Severability. If any provision of this IFA Assignment is declared void or unenforceable by any court or government authority, the remaining provisions of this IFA Assignment shall be effective and shall control.

Section 13. Entire Agreement. This IFA Assignment constitutes the entire agreement between the parties with respect to the subject matter hereof. This IFA Assignment supersedes and replaces any prior or contemporaneous oral or written understandings, agreements, or representations between the parties.

Section 14. Recitals. The provisions set forth in the Recitals are made a part of this Assignment and are incorporated by reference into the terms hereof.

Section 15. Counterparts. This IFA Assignment may be executed in any number of counterparts, each of which will be deemed an original, but all of which taken together will constitute one single agreement between the parties. Signatures sent digitally will be deemed to be original signatures for all purposes.

[Signature Page Follows.]

IN WITNESS WHEREOF, the parties hereto have caused this IFA Assignment to be executed as of the day and year first above written.

Governmental Unit:

_____, [Title]
_____, Signature

Date: _____
Month/Day/Year

STATE OF _____)
_____)
COUNTY OF _____)

I, _____, a notary public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT _____, the _____ of _____, a _____, personally known to me to be the same person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged that ____ signed and delivered the said instrument, pursuant to authority given by said _____, as _____ own free and voluntary act, and as the free and voluntary act of the municipal corporation for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal as of _____, _____.

Notary Public

My Commission Expires: (SEAL)

IN WITNESS WHEREOF, the parties hereto have caused this IFA Assignment to be executed as of the day and year first above written.

Authority:

_____, Executive Director

_____, Signature

Date: _____

Month/Day/Year

STATE OF ILLINOIS)

)

COUNTY OF COOK)

I, _____, a notary public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT _____, the _____ of _____, a _____, personally known to me to be the same person whose name is subscribed to the foregoing instrument as such _____, appeared before me this day in person and acknowledged that _____ signed and delivered the said instrument, pursuant to authority given by said _____, as _____ own free and voluntary act, and as the free and voluntary act of the municipal corporation for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal as of _____, _____.

Notary Public

My Commission Expires: (SEAL)