

REPORT REQUIRED BY TEXAS LOCAL GOVERNMENT CODE SECTION 399.009

FOR PROPOSED COLLIN COUNTY

PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAM

This Report is adopted by the Collin County, Texas Commissioners Court (“**Local Government or the County**”) for the Collin County Property Assessed Clean Energy (PACE) Program (**the “Program”**) in accordance with the requirements of the Property Assessed Clean Energy Act (**the “PACE Act”**) as set forth in Texas Local Government Code Chapter 399.

The County and its constituents benefit when older existing buildings are modified with new technology and equipment that increases energy efficiency and reduces water consumption. As described in this Report, the County is establishing the commercial PACE Program to encourage private sector investment in energy efficiency and water conservation. The PACE Program will be offered to property owners on a strictly voluntary basis and will not require the use of any public funds or resources.

Authorized under the PACE Act enacted in 2013, the PACE Program is an innovative financing program that enables private sector owners of privately owned commercial, industrial, and multi-family residential properties with five or more dwelling units to obtain low-cost, long-term loans to pay for water conservation, energy-efficiency improvements, and renewable energy retrofits. PACE loans provide up to 100% financing of all project costs, with little or no up-front out-of-pocket cost to the owner.

Loans made under the PACE Program will be secured by assessments on the property that are voluntarily imposed by the owner. Assessments may be amortized over the projected life of the improvements. The utility cost savings derived from improvements financed with PACE loans are expected to equal or exceed the amount of the assessment. In turn, these improvements are able to generate positive cash flow upon installation because the debt service will be less than the savings.

PACE assessments are tied to the property and follow title from one owner to the next. Each owner is responsible only for payment of the assessments accruing during its period of ownership. When the property is sold, unless paid in full, the assessment lien continues on the property and the buyer is responsible for the assessment payments going forward from the date of sale. As a result, the program will help property owners overcome market barriers that often discourage investment in energy efficiency and water conservation improvements.

1. Eligible Properties

The County PACE Program is a strictly voluntary program. All private sector owners of Eligible Properties located within the County PACE region may participate in PACE financing. The entire territory of the County is designated as the region in which the Program is available. “**Eligible Properties**” include commercial, industrial, and multi-family residential properties with five or

more dwelling units. Government, residential¹, and facilities for undeveloped lots or lots undergoing development at the time of the assessment are not Eligible Properties.

2. Qualified Improvements

PACE financing may be used to pay for Qualified Improvements to Eligible Properties. “*Qualified Improvements*” are permanent improvements intended to decrease water or energy consumption or demand, including a product, device, or interacting group of products or devices on the customer’s side of the meter that use energy technology to generate electricity, provide thermal energy, or regulate temperature. Under the PACE Act, products or devices that are not permanently fixed to real property are not considered to be Qualified Improvements.

The following items may constitute Qualified Improvements:

- High efficiency heating, ventilating and air conditioning (“HVAC”) systems
- High efficiency chillers, boilers, and furnaces
- High efficiency water heating systems
- Energy management systems and controls
- Distributed generation systems
- High efficiency lighting system upgrades
- Building enclosure and envelope improvements
- Water conservation and wastewater recovery and reuse systems
- Combustion and burner upgrades
- Heat recovery and steam traps
- Water management systems and controls (indoor and outdoor)
- High efficiency irrigation equipment

3. Benefits of PACE to Property Owners

The PACE Program will enable owners of Eligible Properties to overcome traditional barriers to capital investments in energy efficiency and water conservation improvements, such as unattractive returns on investment, split incentives between landlords and tenants, and uncertainty of recouping the investment.

By financing Qualified Improvements through the Program, property owners may achieve utility cost savings that exceed the amount of the assessment and reduce their exposure to utility price volatility. As a result, the value of the property will be enhanced, and the owner will only be obligated to pay the assessment installments that accrue during its period of ownership of the property. Additionally, by investing in energy efficiency and water conservation with PACE financing, property owners may also qualify for various rebate, tax credit, and incentive programs offered by utility providers and state or federal governmental authorities to encourage these types of investments.

¹ This encompasses single family residential and any multi-family properties with fewer than five units.

4. Benefits of PACE to the County

The PACE Program benefits the entire County by improving its buildings, increasing property values, encouraging economic development, and saving energy and water, all without requiring any public funds.

Among other things, projects financed through PACE Program will:

- Enable property owners and occupants to save substantial amounts in utility costs;
- Reduce demand on the electricity grid;
- Mitigate greenhouse gas emissions associated with energy generation;
- Enhance the value and efficiency of existing buildings;
- Boost the local economy by creating new job opportunities for laborers and new business opportunities for contractors, engineers, commercial lenders, professionals, and equipment vendors and manufacturers;
- Increase business retention and expansion in the PACE region by enabling cost effective energy and water saving updates to existing property;
- Improve productivity through optimized energy usage;
- Support the State's water conservation plan;
- Better enable the County to meet its water conservation goals.

Finally, through the reduction in energy consumption as a result of the PACE Program, there will be a decreased demand for power, resulting in lower emissions from power plants.

The PACE Program requires minimal support from the County. It is designed to be self-sustaining and is typically administered by a qualified third-party authorized representative(s). Furthermore, because the PACE Program is tax neutral, it achieves all of the benefits listed in this Report without imposing a burden on the County's general fund.

The 84th Texas Legislature added a provision to the PACE Act that explicitly shields the County and its employees, members of the governing body of a local government and any board members, executives, employees, and contractors of a third party who enter into a contract with a local government to provide administrative services for a Program under this chapter.²

² TX. Local Gov't Code §399.019. In the 85th legislature, HB 2654 clarified that the personal immunity provisions apply to all elected officials performing rights and duties under chapter 399 of the Local Government Code.

5. The Benefits of PACE to Lenders

PACE loans are attractive to lenders because they are very secure investments. Like a property tax lien, the assessment lien securing the PACE loan has priority over other liens on the property. Therefore, the risk of loss from non-payment of a PACE loan is low compared to most other types of loans. PACE assessments provide lenders with an attractive new product to address an almost universal pent-up demand for implementing high efficiency commercial and industrial property equipment. In order to protect the interests of holders of existing mortgage loans on the property, the PACE Act requires their written consent to the PACE assessment as a condition to obtaining a PACE loan.

6. The Benefits of PACE to Contractors, Engineers, and Manufacturers

PACE loans provide attractive sources of financing for water and energy saving retrofits and upgrades, thereby encouraging property owners to make substantial investments in existing commercial and industrial buildings. As a result, PACE will unlock business opportunities for contractors, engineers, and manufacturers throughout the commercial and industrial sectors.

7. Administration of the County PACE Program

Under the PACE Act, the establishment and operation of the Program are considered to be governmental functions. The PACE Act further authorizes the County to enter into a contract with third parties (the “*Authorized Representative(s)*”) to provide administrative services for the PACE Program. Pursuant to delegation by the County, the Authorized Representative also acts as the representative of the County in executing the contracts with property owners and lenders. The County may delegate administration of the PACE Program to one or more qualified third-party organizations that can administer the Program at no cost to the County.

The Authorized Representatives’ role is to serve as an extension of the County staff to provide oversight of the Program to ensure best practices and consumer protections at the lowest possible cost to the property owner in a transparent and ethical manner and to provide education and outreach. The Authorized Representatives will not receive compensation or reimbursement from the County.

The Authorized Representatives will be funded by administrative fees paid by the property owners who request designation of a PACE project or from other source of revenue. The Authorized Representative may not impose any Program fees directly or indirectly not authorized in advance by the County in writing. Authorized Representative must disclose in writing to County any direct or indirect fee income, charitable grants, or donations not authorized in advance by the County that are received from property owners, lenders, or contractors participating in the Program.

8. Eligible Lenders

The PACE Act does not set criteria for financial institutions or investors to be PACE lenders. The County will follow best practices of similar national PACE programs by requiring that lenders be:

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

Any lender can participate in the PACE Program as long as it is a financially stable entity with the ability to carry out, either directly or through a servicer, the bookkeeping and customer service work necessary to manage the assessment accounts. The property owner, not the County or the Authorized Representative, selects the lender.

The Authorized Representatives will not guarantee or imply that funding will automatically be provided from a third-party lender, imply or create any endorsement of, or responsibility for, any lender, or create any type of express or implied favoritism for any eligible lender.

9. Components of the PACE Program

As required under Section 399.009 of the PACE Act, the following describes all aspects of the PACE Program:

- a. Map of Region. A map of the boundaries of the region included in the Program is attached to this Report as Exhibit 1. The region encompasses the County limits.
- b. Form Contract with Owner. A form contract between the County and the record owner of the Eligible Property is attached as Exhibit 2. It specifies the terms of the assessment under the PACE Program and the financing to be provided by an Eligible Lender of the property owner's choosing.
- c. Form Contract with Lender. A form contract between the County and the Eligible Lender chosen by a property owner is attached to this Report as Exhibit 3. It specifies the financing and servicing of the debt through assessments.

- d. Form Notice of Contractual Assessment Lien. A form Notice of Assessment Lien to be filed by the Authorized Representative, on behalf of the County, with the County Clerk is attached to this Report as Exhibit 4.
- e. Qualified Improvements. The following types of projects are Qualified Improvements that may be subject to contractual assessments under the PACE Program. Projects that:
 - (1) involve the installation or modification of a permanent improvement fixed to privately owned commercial, industrial, or residential real property with five (5) or more dwelling units;³ and
 - (2) are intended to decrease energy or water consumption or demand by installing a product, device, or interacting group of products or devices on the customer's side of the meter that uses energy technology to generate electricity, provide thermal energy, or regulate temperature.⁴

A sample list of potential Qualified Improvements appears in Section 2 above.

The PACE Program may not be used to finance Qualified Improvements on undeveloped lots or lots undergoing development at the time of the assessment, or for the purchase or installation of products or devices not permanently fixed to real property.⁵

Authorized Representative. The Texas PACE Act requires the County to identify an Authorized Representative to enter into contracts with the parties to establish PACE assessments.⁶ The County may also select a third party to administer the program. The County intends to identify Lone Star PACE and Texas PACE Authority each as an Authorized Representative and Program Administrator.

- f. Project Review. Track and provide a public overview with savings metrics for all PACE projects.
- g. Plans for Insuring Sufficient Capital. Lenders qualified by the Program Administrators will extend loans to finance Qualified Improvements. Financing documents executed between owners and lenders will impose a contractual assessment on Eligible Property to repay the terms of the owner's financing of the Qualified Improvements. The lenders will ensure that property owners demonstrate the financial ability to fulfill the financial obligations to be repaid through contractual assessments.

³ TX. Local Gov't Code §399.002(5).

⁴ TX. Local Gov't Code §399.002(3).

⁵ TX. Local Gov't Code §399.004.

⁶ TX. Local Gov't Code §399.006

- h. No Use of Bonds or Public Funds. The County does not intend to issue bonds or use any other public monies to fund PACE projects. Property owners will obtain all financing from the Eligible Lenders they choose.
- i. Limit on Length of Loan. One of the statutory criteria of a PACE loan is that the assessment payment period cannot exceed the useful life of the Qualified Improvement that is the basis for the loan and assessment.⁷ As part of the application process, the property owners will submit an independent third-party review prepared by a Texas licensed engineer showing water or energy baseline conditions and the projected water or energy savings. This review will aid the Authorized Representative in making a determination that the period of the requested assessment does not exceed the useful life of the Qualified Improvement.
- j. Application Process. The Authorized Representative will accept applications from property owners seeking to finance Qualified Improvements under the Program. Each application must be accompanied by the required application fee and must include:
 - (1) A description of the specific Qualified Improvements to be installed or modified on the property;
 - (2) A description of the specific real property to which the Qualified Improvements will be permanently fixed; and
 - (3) The total amount of financing, including any transaction costs, to be repaid through assessments.

Based on this information, the Authorized Representative may issue a preliminary letter indicating that, subject to verification of all requirements at closing, the proposed project appears to meet Program requirements. Based on this preliminary letter, the property owner may initiate an independent third-party review of the project and submit the project to Eligible Lenders for approval of financing.

The property owner is expected to produce the following documentation to the Authorized Representative prior to closing of the PACE loan:

- (1) A Report conducted by a qualified, independent third-party Texas licensed engineer, showing water or energy baseline conditions and the projected water or energy savings, or the amount of renewable energy generated attributable to the project⁸;
- (2) Such financial information about the owner and the property as the lender chosen by the owner deems necessary to determine that the owner has

⁷ Section 399.009(a)(8)

⁸ Section 399.011(1)

demonstrated the financial ability to fulfill the financial obligations to be paid through assessments; and

(3) All other information required by the Authorized Representative.

k. Financial Eligibility Requirements. The Authorized Representative will determine whether the owner, the property and the improvements are eligible for financing under the Program. The Eligible Lender chosen by the owner will determine whether the owner has demonstrated the financial ability to repay the financial obligations to be collected through contractual assessments. The demonstration of financial ability must be based on appropriate underwriting factors, including the following:

- (1) verification that the person requesting to participate in the Program is the legal record owner of the benefitted property;
- (2) the applicant is current on mortgage and property tax payments;
- (3) the applicant is not insolvent or in bankruptcy proceedings;
- (4) the title of the benefitted property is not in dispute; and
- (5) there is an appropriate ratio of the amount of the assessment to the assessed value of the property. The County determines that it will follow the Texas PACE in a Box model program recommendation for determining the appropriate loan to assessed value of the property.

The County has determined that to be eligible for PACE financing, the projected savings derived from the Qualified Improvement should be greater than the cost of the PACE assessment and lien over the life of the assessment, i.e., the Saving-to-Investment Ratio (SIR) should be greater than one ($SIR > 1$). An Eligible Lender or Owner may request a waiver in writing for a project with an $SIR < 1$ and address the interests of tenants and future property owners. The Authorized Representative may consider other factors, including:

- (1) Are there are other environmental benefits such as air or water quality or resiliency benefits that are not captured in the SIR analysis;
- (2) Will the proposed qualifying improvements generate environmental marketable credits that can be monetized;
- (3) What is the SIR calculation for the project? (i.e., how far below a SIR of 1?);
- (4) If the SIR is < 1 over the term of the assessment, is the SIR > 1 over the useful life of the equipment;
- (5) What is the impact of a variance request on any affected third parties; and

- (6) Other information the owner and lender wish to submit regarding the impact of the Qualified Improvements on the Property Owner and the community.
- l. Mortgage Holder Notice and Consent. As a condition to the execution of a written contract between the Authorized Representative and the property owner imposing an assessment under the Program, the holder of any mortgage lien on the property must be given notice of the owner's intention to participate in the Program on or before the 30th day before the date the contract is executed, and the owner must obtain the written consent of all mortgage holders.
- m. Imposition of Assessment. The Authorized Representative will enter into a written contract with the property owner only after:
 - (1) The property owner delivers to the Authorized Representative written consent of all mortgage lien holders;
 - (2) The Authorized Representative's determination that the owner and the property are eligible to participate in the Program, that the proposed improvements are reasonably likely to decrease energy or water consumption or demand, and that the period of the requested assessment does not exceed the useful life of the Qualified Improvements; and
 - (3) The Eligible Lender notifies the Authorized Representative that the owner has demonstrated the financial ability to fulfill the financial obligations to be repaid through contractual assessments.

The contract will impose a contractual assessment on the owner's Eligible Property to repay the lender's financing of the Qualified Improvements. The Authorized Representative will file a "Notice of Contractual Assessment Lien" in substantially the form in Exhibit 4 in the Official Public Records of the County, as notice to the public of the assessment from the date of filing. The contract and the notice must contain the amount of the assessment, the legal description of the property, the name of the property owner, and a reference to the statutory assessment lien provided under the PACE Act.

- n. Collection of Assessments. The execution of the written contract between the County and the property owner and recording of the Notice of Contractual Assessment Lien incorporate the terms of the financing documents executed between the property owner and the third-party lender to repay the financing secured by the assessment. The lender will advance financing to the owner, and the terms for repayment will be such terms as are agreed between the lender and the owner. Under the form Lender Contract attached as Exhibit 3, the lender or a designated servicer will agree to service the debt secured by the assessment.⁹

⁹ The servicer will be responsible for maintaining payment records, account balances, and reporting to the Authorized Representative as required.

With funds from the lender, the property owner will purchase directly the equipment and materials for the Qualified Improvement and contract directly, including through lease, power purchase agreement, or other service contract, for the installation or modification of the Qualified Improvements. Alternatively, the lender may make progress payments to the property owner as the Qualified Improvement is installed.

Assessment installments will be billed and collected by the Lender pursuant to the Lender Contract.

The lender will receive the owner's assessment payments to repay the debt and remit to the Authorized Representative any administrative fees. The lender will have the right to assign or transfer the right to receive the installments of the debt secured by the assessment provided all of the following conditions are met:

- (1) The assignment or transfer is made to an Eligible Lender, as defined above;
 - (2) The property owner and the Authorized Representative are notified in writing of the assignment or transfer and the address to which payment of the future installments should be mailed at least thirty (30) days before the next installment is due according to the schedule for repayment of the debt; and
 - (3) The assignee or transferee, by operation of the financing documents or otherwise written evidence of which shall be provided, assumes lender's obligations under the lender contract.
- o. Verification Review. After a Qualified Improvement is completed, the Authorized Representative will require the property owner to provide written verification by a qualified independent third-party reviewer that the Qualified Improvement was properly completed and is operating as intended.¹⁰ The written verification conclusively establishes that the improvement is a Qualified Improvement and the project is qualified under the PACE Program.¹¹
- p. Marketing and Education Services. The Authorized Representative will provide education and service provider training workshops for property owners, contractors, engineers, property managers and other stakeholders, provide outreach and education for all stakeholders including presentations, conference booths and individual meetings, and provide written and electronic materials such as case studies, flyers, and webinars.

The County may subsequently enter into agreements with one or more other local governments or non-profit organizations that promote energy and water

¹⁰ TX Local Gov't Code §399.011.

¹¹ TX Local Government Code §399.011(a-1)

conservation and/or economic development to provide marketing and education services for the PACE Program.

- q. Quality Assurance and Antifraud Measures. The Authorized Representative will institute quality assurance and antifraud measures for the Program. The Authorized Representative will review each PACE application for completeness and supporting documents through independent review and verification procedures. The application and required attachments will identify and supply the information necessary to ensure that the property owner, the property itself, and the proposed project all satisfy PACE Program underwriting and technical standard requirements. Measures will be put in place to provide safeguards, including a review of the energy and water savings baseline and certification of compliance with the technical standards manual from an independent third-party reviewer (ITPR), who must be a registered professional engineer before the project can proceed. This review will include a site visit, report, and a letter from the ITPR certifying that he or she has no financial interest in the project and is an independent reviewer. After the construction of the project is complete, an ITPR will conduct a final site inspection and determine whether the project was completed and is operating properly. The reviewer's certification will also include a statement that the reviewer is qualified and has no financial interest in the project.
- r. Delinquency. Under the terms of the form lender contract attached as Exhibit 3, if a property owner fails to pay an agreed installment when due on the PACE assessment, the lender will agree to take at least the following steps to collect the delinquent installment:
- (1) Mail to the owner a written notice of delinquency and demand for payment by both certified mail (return receipt requested) and first-class mail, and
 - (2) Mail to the owner a second notice of delinquency and demand for payment and notify any mortgagee by both certified mail (return receipt requested) and first-class mail at least thirty (30) days after the date of the first notice if the delinquency is continuing.

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

The enforcement of the assessment lien shall be by foreclosure in the same manner and at the same time as delinquent property taxes. Non-payment of assessments by

the owner shall subject such owner to County enforcement in a judicial foreclosure suit initiated on or after the first February 1 following the event of non-payment by the owner, and in accordance with State law and County procedures. Notices and other communication to the owner and to the County shall be in the same manner and at the same time as such notices and communication for the foreclosure of delinquent ad valorem taxes.

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

10. Limitations

The PACE Program shall not give rise to or create a charge against the general credit or taxing power of the County or a debt or other obligation of the County payable from any source. No County general funds, revenues, taxes, or income of any kind shall be used to pay a contractual assessment, filing fee, collection cost, litigation cost, or any other expense arising under the PACE Program. The PACE Program is created to provide a third-party financing mechanism for energy and water saving betterments, and no alternate financing is approved through the approval of the PACE Program. The County assumes no financial obligation whatsoever in the event of default or foreclosure of any kind. None of the County or any of its elected or appointed officials or any of its officers or employees or Authorized Representatives shall incur any liability hereunder to an owner, a lender, or any other party in their individual capacities by reason of the PACE Program or their acts or omissions under the PACE Program.

EXHIBIT 2
FORM OWNER CONTRACT

EXHIBIT 3
FORM LENDER CONTRACT

EXHIBIT 4
FORM NOTICE OF CONTRACTUAL ASSESSMENT LIEN
PURSUANT TO PROPERTY ASSESSED CLEAN ENERGY ACT

FORM NOTICE OF CONTRACTUAL ASSESSMENT LIEN
PURSUANT TO
PROPERTY ASSESSED CLEAN ENERGY ACT

STATE OF TEXAS §
 §
COUNTY OF COLLIN §

RECITALS

- A. The Property Assessed Clean Energy Act (“**PACE Act**”), Texas Local Government Code Chapter 399, authorizes the governing body of a local government to establish a program and designate a region within the local government’s jurisdiction within which an authorized representative of the local government may enter into written contracts with the record owners of privately owned commercial, industrial, and large multifamily residential (5 or more dwelling units) real property to impose assessments on the property to finance the cost of permanent improvements fixed to the property intended to decrease water or energy consumption or demand. Unless otherwise expressly provided herein, all terms used herein have the same meanings ascribed to them in the PACE Act.
- B. Collin County, Texas (“**Local Government**”) has established a program under the PACE Act (“**PACE Program**”) pursuant to a resolution dated _____ adopted by the Commissioners Court, and has designated _____ as a representative of Local Government (“**Authorized Representative**”) authorized to enter into and enforce the written contracts with the owners of such property and the providers of such financing described herein, and has designated the entire territory within the Collin County jurisdiction as a region (the “**Region**”) within which the Authorized Representative and the record owners of such real property may enter into written contracts to impose assessments to repay the financing by owners of qualified improvements on the owners’ property pursuant to the PACE Program.
- C. _____ (“**Property Owner**”) is/are the sole legal and record owner of the qualified “real property,” as defined in Section 399.002 of the PACE Act, within the Region located at _____, _____, Texas ____-____ and more fully described in Exhibit A attached hereto and made a part hereof (the “**Property**”).

- D. Property Owner has applied to Local Government to participate in the PACE Program by installing or modifying on the Property certain permanent improvements described in Exhibit B attached hereto and made a part hereof, which are intended to decrease water or energy consumption or demand and which are or will be fixed to the Property as “qualified improvements”, as defined in Section 399.002 of the PACE Act (the “**Qualified Improvements**”). The installation or modification of such Qualified Improvements on the Property will be a “qualified project” as defined in Section 399.002 of the PACE Act (the “**Project**”). Property Owner has entered into a written contract (the “**Owner Contract**”) with Local Government pursuant to the PACE Act and the PACE Program and has requested Local Government to impose an assessment on the Property to repay the financing of such Qualified Improvements.
- E. The financing of such Qualified Improvements will be provided to Property Owner by _____ (“**Lender**”), a qualified lender selected by Property Owner, pursuant to a written contract executed by Lender and Local Government as required by Section 399.006(c) of the PACE Act (the “**Lender Contract**”). Lender will be responsible for all servicing duties other than those specifically undertaken by Local Government in the Lender Contract.

THEREFORE, Local Government hereby gives notice to the public pursuant to Section 399.013 of the PACE Act that it has imposed an assessment on the Property in the principal amount of \$_____ (the “**Assessment**”). The Assessment includes only those costs and fees for which an assessment may be imposed under Section 399.006(e) of the PACE Act. In the event that the actual total of costs and fees for which an assessment may be imposed is different from the amount stated or any other term requires correction, Local Government, Property Owner, and Lender will execute an amended Owner Contract and Lender Contract, and Authorized Representative will record an amended Notice of Contractual Assessment Lien.

The Assessment and contractual interest thereon due to the Lender (the “**Contractual Interest**”) are due and payable in installments (“**Installments**”) in accordance with the terms and payment schedule included in the financing documents executed between Property Owner and Lender that are described in or copies of which are attached hereto as Exhibit C (the “**Financing Documents**”). Pursuant to Section 399.014 of the PACE Act,

1. The Assessment and any interest or penalties thereon,
 - (i) are a first and prior lien against the Property from the date on which this Notice of Contractual Assessment Lien is recorded in the real property records of Collin County, Texas, until the Assessment, interest, or penalty is paid; and
 - (ii) such lien has the same priority status as a lien for any other ad valorem tax.

2. The lien created by the Assessment runs with the land, and according to Section 399.014(b) of the PACE Act, any portion of the Assessment that has not yet become due will not be eliminated by foreclosure of: (i) a property tax lien, or (ii) the lien for a delinquent Installment of the Assessment. In the event of a sale or transfer of the Property by Property Owner, the obligation for the Assessment and the Property Owner's obligations under the Financing Documents will be transferred to the succeeding owner without recourse to Local Government, or Authorized Representative.

As provided in Section 399.014(a-1) of the PACE Act, after this Notice of Contractual Assessment Lien is recorded in the real property records of the county in which the Property is located, the lien created by the Assessment may not be contested on the basis that the improvement is not a "qualified improvement" or the project is not a "qualified project", as such terms are defined in Section 399.002 of the PACE Act.

EXECUTED on _____, _____.
LOCAL GOVERNMENT:
COLLIN COUNTY, TEXAS

By:
AUTHORIZED REPRESENTATIVE
Pursuant to Tex. Local Gov't Code §399.006(b)

By: _____

Name: _____

Title: _____

Address: _____

E-mail: _____

ACKNOWLEDGEMENT

STATE OF TEXAS §

COUNTY OF _____ §

This Notice of Contractual Assessment Lien pursuant to Property Assessed Clean Energy Act was acknowledged before me on _____, _____ by _____, _____, on behalf of _____, a Texas _____, as Authorized Representative for the Local Government.

_____ (print name)

NOTARY PUBLIC, STATE OF TEXAS

INDEXING INSTRUCTION:

Grantor: _____, Property Owner
Grantees: _____, Local Government
 _____, Lender

After recording, return to-

NOTICE OF LIEN EXHIBIT A
PROPERTY DESCRIPTION